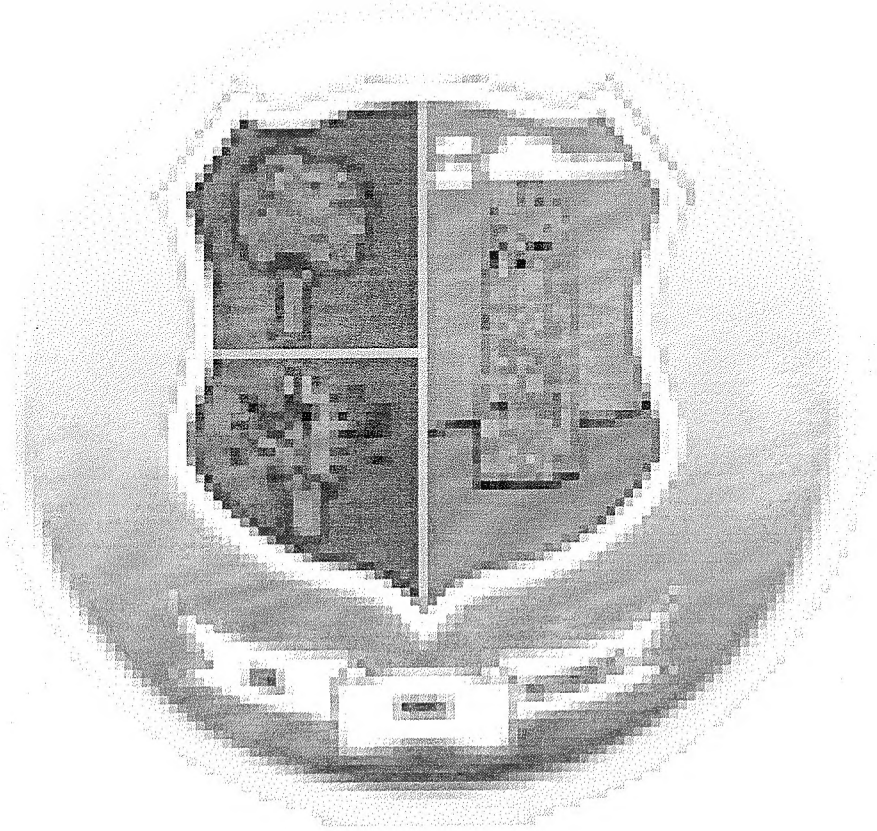


NKONKOBÉ LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

NKONKOBÉ LOCAL MUNICIPALITY

INDEX

<u>Content</u>	<u>Page</u>
General Information	1 - 3
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	9 - 10
- Statement of Financial Performance	11 - 12
- Cash Flow Statement	13 - 14
Accounting Policies	15 - 44
Notes to the Financial Statements	45 - 123
APPENDICES - Unaudited	
A Schedule of External Loans	124
B Disclosure of Grants and Subsidies	125

NKONKOBÉ LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Nkonkobe Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Nkonkobe Local Municipality includes the following areas:

Alice	Hogsback
Middledrift	Seymour
Fort Beaufort	Balfour

MEMBERS OF THE COUNCIL ON 30 JUNE 2016

Position

Councillors
Executive committee members
Chief Whip
Mayor
Councillors
Executive committee members
Executive committee members
Speaker
Councillors
Councillors
Executive committee members
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors
Councillors

Councillor

Ramatsebe Alfred Kganedi
Mandla Johnson Makeleni
Steven Lungelo Ngwentle
Anele Winfred Ntsangani
Samakhenkca Abram Penu
Shirley Pamela Matyila
Mzwandile Eric Mgengo
Nonkazimlo Primrose Mlamla
Vuyiswa Ndevu
Nomakhosazana Constance Nono (Daniels)
Noma India Gora
Seysey Westurm Macakela
Zamikhaya Lunga Papu
Pumlani Sixolo
Thembisa Matu
Lizzy Josephine Kanie-Esau
Xoliswa Veronica Mamase
Abdul Aziz Booysen
Nomhle Sango-Blackie
Andile Christopher Stofile
Mpumleli Oysterman Rawana
Christian Mqapeli Nyangintaka
Zukiswa Mpendu
Sinovuyo Kleyi
Elten Bantam

NKONKOBÉ LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE COUNCIL ON 30 JUNE 2016 (CONTINUED)

Position	Councillor
Councillors	Malixole Ncume
Councillors	Mziwoxolo Donald Mystery Nyenyeku
Councillors	Thembisa Patricia Dwanya
Executive committee members	Lawrence Lungelo Sinyongo
Councillors	Headman Xeiewa
MPAC Chairperson	Mbongeni Bonus Kata
Councillors	Thozama Ngaye
Councillors	Nongenditheni Cynthia Mbalo
Councillors	Nanziwe Rulashe
Councillors	Xolani Dyantyi
Councillors	Babalwa Malawu
Councillors	Nandipa Colleen Guzi
Councillors	Thobeka Priscilla Mjo
Councillors	Khayaletu Baliso
Councillors	Nomvano Zibonda
Councillors	Liziwe Faith Matyolo

ACTING MUNICIPAL MANAGER

Mr L Menze

CHIEF FINANCIAL OFFICER

Mrs B Lubelwana

REGISTERED OFFICE

8 Somerset Street, Fort Beaufort, 5720

POSTAL ADDRESS

PO Box 36, Fort Beaufort, 5720

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Phumeza Bono Attorneys

Dyushu Majebe Attorneys

NKONKOBÉ LOCAL MUNICIPALITY

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
mSCOA Regulations

NKONKOBÉ LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 125 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year up to merger date as well as the period beyond merger up to 30 June 2017 and is satisfied that the Municipality's going concern status are still applicable on 30 June 2016.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr L Menze
Acting Municipal Manager

31/08/2016
Date

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
ASSETS			
Current Assets		80 505 601	67 378 112
Cash and Cash Equivalents	2	3 480 710	3 046 037
Receivables from exchange transactions	3	9 973 956	5 534 924
Receivables from non-exchange transactions	4	62 882 475	55 190 106
Taxes	5	3 779 187	3 102 437
Operating Lease Asset	6	-	-
Inventory	7	389 273	504 607
Non-Current Assets		367 255 488	358 442 738
Investment Property	8	21 208 000	20 627 700
Property, Plant and Equipment	9	333 996 736	327 703 045
Property, Plant and Equipment - Capitalised			
Restoration Cost	10	12 050 752	10 111 993
Intangible Assets	11	-	-
Heritage Assets	12	-	-
Total Assets		447 761 090	425 820 851
Current Liabilities		81 770 330	89 515 910
Current Portion of Long-term Liabilities	13	7 654 997	8 541 188
Consumer Deposits	14	1 453 464	1 371 746
Payables from exchange transactions	15	59 327 034	56 538 977
Unspent Conditional Government Grants	16	4 100 703	7 036 827
Current Employee benefits	17	9 234 133	8 807 445
Provisions	18	-	7 219 726
Non-Current Liabilities		46 969 424	45 956 190
Long-term Liabilities	13	994 043	7 821 647
Employee benefits	19	26 044 898	21 906 115
Non-Current Provisions	20	19 930 483	16 228 429
Total Liabilities		128 739 754	135 472 100
NET ASSETS		319 021 336	290 348 752
COMMUNITY WEALTH			
Accumulated Surplus	21	319 021 336	290 348 752
		319 021 336	290 348 752

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		252 237 159	230 419 840
Taxation Revenue		65 001 640	65 199 004
Property Rates	22	65 001 640	65 199 004
Transfer Revenue		178 727 736	145 196 303
Government Grants and Subsidies - Capital	23	40 067 680	31 626 723
Government Grants and Subsidies - Operating	23	138 660 057	113 569 580
Other Revenue		8 507 782	20 024 533
Fines	24	249 270	42 950
Actuarial Gains	25	458 486	2 654 975
Assistance in-kind	26	7 219 726	13 019 108
Fair Value Adjustments		580 300	4 307 500
REVENUE FROM EXCHANGE TRANSACTIONS		64 630 313	48 092 852
Operating Activities		64 630 313	48 092 852
Service Charges	26	46 803 683	37 743 896
Rental of Facilities and Equipment	27	390 619	322 083
Interest Earned - external investments		1 125 610	633 178
Interest Earned - outstanding debtors	28	8 214 846	5 064 906
Licences and Permits		2 932 585	2 771 948
Other Income	29	5 158 823	1 556 841
Gain on disposal of PPE		4 147	-
TOTAL REVENUE		316 867 472	278 512 692
EXPENDITURE			
Employee related costs	30	93 691 533	89 508 599
Remuneration of Councillors	31	13 433 756	12 552 365
Debt Impairment	32	44 788 009	38 192 855
Depreciation and Amortisation	33	22 053 370	22 301 768
Impairments	34	-	6 600 078
Repairs and Maintenance	35	7 714 192	21 325 676
Actuarial losses	36	1 313 852	368 502
Finance Charges	37	5 635 813	6 605 858
Bulk Purchases	38	34 006 851	30 584 625
Transfers and Grants	39	6 623 304	5 385 660
Other Expenditure	40	52 365 649	33 719 535
Loss on disposal of PPE		6 568 559	3 812 933
TOTAL EXPENDITURE		288 194 888	270 958 453
NET SURPLUS FOR THE YEAR		28 672 584	7 554 239

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2016

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2014 - Previously Reported	2 659 100	242 423 124	245 082 224
Prior Period Adjustment - Refer to note 41.20	-	37 712 288	37 712 288
Prior Period Adjustment - Refer to note 41.19	(2 659 100)	2 659 100	-
	-	282 794 512	282 794 512
Balance on 30 June 2014 - Restated	-	7 554 239	7 554 239
Net Surplus for the year	-	-	-
	-	290 348 752	290 348 752
Balance on 30 June 2015 - Restated	-	28 672 584	28 672 584
Net Surplus for the year	-	-	-
	-	319 021 336	319 021 336
Balance on 30 June 2016	-	-	-

NKONKOBÉ LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		26 225 215	23 032 951
Service charges		34 397 809	31 816 837
Other Income		9 174 171	3 338 761
Government - operating		138 999 919	118 639 507
Government - capital		37 744 680	27 555 723
Interest Income		2 207 487	1 422 603
Payments			
Suppliers and employees		(197 264 666)	(164 645 885)
Finance charges		(2 194 345)	(2 349 308)
Transfers and Grants		(6 623 304)	(5 385 660)
NET CASH FROM OPERATING ACTIVITIES	42	42 666 965	33 425 530
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on Disposal of Fixed Assets		-	167 989
Payments			
Purchase of Property, Plant and Equipment		(33 625 764)	(25 789 564)
NET CASH USED INVESTING ACTIVITIES		(33 625 764)	(25 621 575)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		81 718	102 917
Payments			
Loans repaid		(8 688 245)	(7 341 993)
NET CASH USED FINANCING ACTIVITIES		(8 606 527)	(7 239 076)
NET INCREASE IN CASH HELD			
Cash and Cash Equivalents at the beginning of the year		3 046 037	2 481 160
Cash and Cash Equivalents at the end of the year		3 480 710	3 046 037

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
ASSETS			
Current assets			
Cash	3 480 710	2 501 778	978 932
Consumer debtors	72 466 843	81 388 191	(8 921 348)
Other Receivables	4 168 775	-	4 168 775
Current portion of long-term receivables	-	2 600 000	(2 600 000)
Inventory	389 273	217 178	172 095
Total current assets	80 505 601	86 707 147	(6 201 546)
Non current assets			
Investment property	21 208 000	18 322 500	2 885 500
Property, plant and equipment	333 996 736	302 555 675	31 441 061
Intangible Assets	-	659 941	(659 941)
Capitalised Restoration Cost	12 050 752	-	12 050 752
Total non current assets	367 255 488	321 538 116	45 717 372
TOTAL ASSETS	447 761 090	408 245 263	39 515 827
LIABILITIES			
Current liabilities			
Borrowing	7 654 997	9 768 886	(2 113 889)
Consumer deposits	1 453 464	1 473 746	(20 282)
Trade and other payables	63 427 737	74 079 105	(10 651 368)
Provisions and Employee Benefits	9 234 133	5 935 253	3 298 880
Total current liabilities	81 770 330	91 256 990	(9 486 660)
Non current liabilities			
Borrowing	994 043	8 945 101	(7 951 058)
Provisions and Employee Benefits	45 975 381	39 382 515	6 592 866
Total non current liabilities	128 739 754	139 584 606	(10 844 852)
TOTAL LIABILITIES	128 739 754	139 584 606	(10 844 852)
NET ASSETS	319 021 336	268 660 657	50 360 679
COMMUNITY WEALTH			
Accumulated Surplus	319 021 336	266 001 557	53 019 779
Reserves	-	2 659 100	(2 659 100)
TOTAL COMMUNITY WEALTH/EQUITY	319 021 336	268 660 657	50 360 679

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
ASSETS			
Current assets			
Cash	2 130 526	371 252	2 501 778
Consumer debtors	18 532 396	62 855 795	81 388 191
Current portion of long-term receivables		2 600 000	2 600 000
Inventory	764 303	(547 125)	217 178
Total current assets	21 427 225	65 279 922	86 707 147
Non current assets			
Investment property	21 221 700	(2 899 200)	18 322 500
Property, plant and equipment	323 849 489	(21 293 814)	302 555 675
Intangible Assets	478 794	181 147	659 941
Total non current assets	345 549 983	(24 011 867)	321 538 116
TOTAL ASSETS	366 977 208	41 268 055	408 245 263
LIABILITIES			
Current liabilities			
Borrowing	13 796 000	(4 027 114)	9 768 886
Consumer deposits	1 385 308	88 438	1 473 746
Trade and other payables	28 000 000	46 079 105	74 079 105
Provisions and Employee Benefits	-	5 935 253	5 935 253
Total current liabilities	43 181 308	48 075 682	91 256 990
Non current liabilities			
Borrowing	27 592 000	(18 646 899)	8 945 101
Provisions and Employee Benefits	20 268 150	19 114 365	39 382 515
Total non current liabilities	91 041 458	48 543 148	139 584 606
TOTAL LIABILITIES	91 041 458	48 543 148	139 584 606
NET ASSETS	275 935 750	(7 275 093)	268 660 657
COMMUNITY WEALTH			
Accumulated Surplus	273 276 650	(7 275 093)	266 001 557
Reserves	2 659 100	-	2 659 100
TOTAL COMMUNITY WEALTH/EQUITY	275 935 750	(7 275 093)	268 660 657

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
REVENUE BY SOURCE			
Property rates	65 001 640	54 000 000	11 001 640
Service charges	46 803 683	40 733 107	6 070 577
Rental of facilities and equipment	390 619	436 800	(46 181)
Interest earned - external investments	1 125 610	1 200 000	(74 390)
Interest earned - outstanding debtors	8 214 846	5 570 000	2 644 846
Fines	249 270	200 000	49 270
Licences and permits	2 932 585	2 968 000	(35 415)
Government Grants and Subsidies - Operating	138 660 057	138 486 856	173 201
Other revenue	13 421 483	4 096 500	9 324 983
TOTAL OPERATING REVENUE	276 799 793	247 691 263	29 108 530
EXPENDITURE BY TYPE			
Employee related costs	93 691 533	88 422 905	5 268 629
Remuneration of councillors	13 433 756	13 611 809	(178 053)
Debt impairment	44 788 009	13 905 669	30 882 341
Depreciation & asset impairment	22 053 370	32 650 000	(10 596 630)
Finance charges	5 635 813	1 700 000	3 935 813
Bulk purchases	34 006 851	40 000 000	(5 993 149)
Contracted services	-	550 000	(550 000)
Grants and subsidies paid	6 623 304	13 750 000	(7 126 696)
Other expenditure	61 393 693	49 993 356	11 400 337
Loss on disposal of PPE	6 568 559	-	6 568 559
TOTAL OPERATING EXPENDITURE	288 194 888	254 583 738	33 611 150
OPERATING DEFICIT FOR THE YEAR	(11 395 095)	(6 892 476)	(4 502 620)
Government Grants and Subsidies - Capital	40 067 680	43 283 970	(3 216 290)
NET SURPLUS FOR THE YEAR	28 672 584	36 391 494	(7 718 910)

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
REVENUE BY SOURCE			
Property rates	40 000 000	14 000 000	54 000 000
Service charges	39 024 648	1 708 459	40 733 107
Rental of facilities and equipment	245 000	191 800	436 800
Interest earned - external investments	1 000 000	200 000	1 200 000
Interest earned - outstanding debtors	3 650 000	1 920 000	5 570 000
Fines	160 000	40 000	200 000
Licences and permits	3 000 000	(32 000)	2 968 000
Government Grants and Subsidies - Operating	136 949 300	1 537 556	138 486 856
Other revenue	12 741 000	(8 644 500)	4 096 500
TOTAL OPERATING REVENUE	236 769 948	10 921 315	247 691 263
EXPENDITURE BY TYPE			
Employee related costs	96 495 017	(8 072 112)	88 422 905
Remuneration of councillors	13 797 055	(185 246)	13 611 809
Debt impairment	12 967 604	938 065	13 905 669
Depreciation & asset impairment	20 000 000	12 650 000	32 650 000
Finance charges	800 000	900 000	1 700 000
Bulk purchases	40 000 000	-	40 000 000
Contracted services	255 645	294 355	550 000
Grants and subsidies paid	15 050 000	(1 300 000)	13 750 000
Other expenditure	57 218 231	(7 224 875)	49 993 356
TOTAL OPERATING EXPENDITURE	256 583 552	(1 999 814)	254 583 738
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(19 813 604)	12 921 128	(6 892 476)
Government Grants and Subsidies - Capital	43 754 700	(470 730)	43 283 970
NET SURPLUS FOR THE YEAR	23 941 096	12 450 398	36 391 494

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	26 225 215	31 860 000	(5 634 785)
Service Charges	34 397 809	36 969 957	(2 572 148)
Other Income	9 174 171	7 701 300	1 472 871
Government - Operating	138 999 919	138 486 856	513 063
Government - Capital	37 744 680	43 283 970	(5 539 290)
Interest Income	2 207 487	6 770 000	(4 562 513)
Payments			
Suppliers and Employees	(197 264 666)	(193 450 070)	(3 814 596)
Finance Charges	(2 194 345)	(1 700 000)	(494 345)
Transfers and Grants	(6 623 304)	(13 750 000)	7 126 696
NET CASH FROM OPERATING ACTIVITIES	42 666 965	56 172 013	(13 505 048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease/(increase) in non-current receivables	-	(1 600 000)	1 600 000
Payments			
Capital assets	(33 625 764)	(42 227 970)	8 602 206
NET CASH USED IN INVESTING ACTIVITIES	(33 625 764)	(43 827 970)	10 202 206
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	81 718	102 000	(20 282)
Payments			
Repayment of borrowing	(8 688 245)	(13 796 000)	5 107 755
NET CASH USED IN FINANCING ACTIVITIES	(8 606 527)	(13 694 000)	5 087 473
NET INCREASE/(DECREASE) IN CASH HELD	434 673	(1 349 957)	1 784 630
Cash and Cash Equivalents at the beginning of the year	3 046 037	3 851 778	(805 741)
Cash and Cash Equivalents at the end of the year	3 480 710	2 501 821	978 889

NKONKOBÉ LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	38 000 000	(6 140 000)	31 860 000
Service Charges	37 073 416	(103 459)	36 969 957
Other Income	16 146 000	(8 444 700)	7 701 300
Government - Operating	136 949 300	1 537 556	138 486 856
Government - Capital	43 754 700	(470 730)	43 283 970
Interest Income	4 650 000	2 120 000	6 770 000
			-
Payments			
Suppliers and Employees	(207 765 948)	14 315 878	(193 450 070)
Finance charges	(800 000)	(900 000)	(1 700 000)
Transfers and Grants	(15 050 000)	1 300 000	(13 750 000)
NET CASH FROM OPERATING ACTIVITIES	52 957 468	3 214 546	56 172 013
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Decrease/(increase) in non-current receivables	-	(1 600 000)	(1 600 000)
Payments			
Capital assets	(56 908 682)	14 680 712	(42 227 970)
NET CASH USED IN INVESTING ACTIVITIES	(56 908 682)	13 080 712	(43 827 970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	81 740	20 260	102 000
Payments			
Repayment of borrowing	(13 796 000)	-	(13 796 000)
NET CASH USED IN FINANCING ACTIVITIES	(13 714 260)	20 260	(13 694 000)
NET DECREASE IN CASH HELD	(17 665 474)	16 315 517	(1 349 957)
Cash and Cash Equivalents at the beginning of the year	19 796 000	(15 944 222)	3 851 778
Cash and Cash Equivalents at the end of the year	2 130 526	371 295	2 501 821

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Assets where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (May 2015)	Presentation of Financial Statements	1 April 2016
GRAP 16 (May 2015)	Investment Property	1 April 2016
GRAP 17 (May 2015)	Property, Plant and Equipment	1 April 2016
GRAP 31 (May 2015)	Intangible Assets	1 April 2016
GRAP 103 (May 2015)	Heritage Assets	1 April 2016

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to additional disclosure requirements, the removal of encouraged disclosures and the clarification of accounting principles.

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to additional disclosure requirements, the removal of encouraged disclosures and the clarification of accounting principles.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). The estimated date of implementation is 1 July 2017.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.34 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.4 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.19.

The impact of this Standard on the financial statements will be minimal.

1.08.2.5 GRAP 109 - Accounting by Principles and Agents (Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.08.2.6 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.09.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost is its fair value at the date of change in use.

If an owner-occupied property becomes an investment property that will be carried at fair value, any differences between the carrying amount of the property and its fair value is treated in the same way as a revaluation in accordance with the Standard of GRAP on Property, Plant and Equipment.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.09 INVESTMENT PROPERTY

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property and its previous carrying amount is recognised in the Statement of Financial Performance.

1.09.3 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.09.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Land and Buildings	
Land	Indefinite
Buildings	100
Infrastructure	
Roads and Stormwater	30
Electricity	30
Solid Waste	30
Community Assets	
Park Facilities	30
Lease Assets	
Office Equipment	3
Plant and Machinery	5
Other Assets	
Plant and Machinery	5 - 30
Motor Vehicles	5 - 16
IT Equipment	3 - 14
Furniture and Fixtures	3 - 15
Capitalised Restoration Cost	
Landfill sites	20 - 92

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 INTANGIBLE ASSETS

1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.11 INTANGIBLE ASSETS (CONTINUED)

1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5

1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

Where a heritage asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.12 HERITAGE ASSETS (CONTINUED)

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1.13.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.14 INVENTORIES (CONTINUED)

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition.

1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.15.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.15.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.15 EMPLOYEE BENEFITS (CONTINUED)

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.16 EMPLOYEE BENEFITS (CONTINUED)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.17 LEASES (CONTINUED)

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.17.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.18 FINANCIAL INSTRUMENTS

1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.18.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

1.18.4 Derecognition of financial instruments

1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.18.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.19 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.19.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.26.1.1 Taxation Revenue

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.26 REVENUE (CONTINUED)

1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.26 REVENUE (CONTINUED)

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.26.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

1.26.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.26 REVENUE (CONTINUED)

1.26.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.26.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.33 EVENTS AFTER REPORTING DATE (CONTINUED)

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.35.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.35.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.35.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.35.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.35.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
2 CASH AND CASH EQUIVALENTS		
Bank Accounts	3 480 710	3 036 661
Call Deposits	-	9 376
Cash on hand	-	-
Balance previously reported		5 559
Prior Period Adjustment - Refer to note 41.01		(5 559)
Other	-	-
Balance previously reported		800 181
Prior Period Adjustment - Refer to note 41.01		(800 181)
Total	3 480 710	3 046 037
Due to the short term nature of cash deposits, all balances included above is in line with their fair value		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	4 100 703	7 036 827
Shortfall in Cash and Cash Equivalents	(619 993)	(3 990 790)
	3 480 710	3 046 037
Bank Accounts		
ABSA - Account number 40 8171 6725		
Bank Statement Balance - Opening Balance	2 883 131	2 369 568
Bank Statement Balance - Closing Balance	4 109 461	2 883 131
Cashbook Balance - Opening Balance	2 707 886	2 215 425
Cashbook Balance - Closing Balance	3 046 940	2 707 886
First National Bank - Account number 620 2619 2336		
Bank Statement Balance - Opening Balance	328 776	252 961
Bank Statement Balance - Closing Balance	433 771	328 776
Cashbook Balance - Opening Balance	328 776	252 961
Cashbook Balance - Closing Balance	433 771	328 776
There were no overdraft facility at year-end (2015 - R null)		
Call Deposits		
Call Deposits consist out of the following account:		
First National Bank - Acc No 62111847854	-	9 376

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2016

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	25 079 497	15 343 134	9 736 363
Electricity	10 741 547	3 927 538	6 814 008
Refuse	10 933 405	9 049 444	1 883 961
Other Receivables	3 404 545	2 366 151	1 038 394
Other Receivables	237 593	-	237 593
Sundry Receivables	237 593	-	237 593
Total	25 317 090	15 343 134	9 973 956

30 JUNE 2015

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	31 550 206	26 176 503	5 373 703
Electricity	5 848 755	2 788 793	3 059 962
Refuse	21 081 433	19 295 399	1 786 034
Other Receivables	4 620 018	4 092 311	527 707
Other Receivables	161 222	-	161 222
Sundry Receivables	161 222	-	161 222
Total	31 711 428	26 176 503	5 534 924
Balance Previously reported	27 614 922	19 095 513	8 519 408
Prior Period Adjustment (Electricity) - Refer to note 41.02	(2 347 222)	1 130 590	(3 477 812)
Prior Period Adjustment (Refuse) - Refer to note 41.02	5 317 912	19 304 960	(13 987 048)
Prior Period Adjustment (Other Receivables) - Refer to note 41.02	1 050 089	2 011 538	(961 450)
Prior Period Adjustment (Sundry Receivables) - Refer to note 41.02	75 728	(15 366 099)	15 441 827
Restated Balance on 30 June 2015	31 711 428	26 176 503	5 534 925

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of service receivables:

Electricity Ageing

	2016 R	2015 R
Current (0 - 30 days)	2 131 400	1 695 198
Past Due (31 - 60 Days)	4 510 917	1 110 523
Past Due (61 - 90 Days)	244 359	494 733
Past Due (90 Days +)	3 854 871	2 548 300
Total	10 741 547	5 848 755

Refuse Ageing

Current (0 - 30 days)	847 691	761 665
Past Due (31 - 60 Days)	883 976	648 700
Past Due (61 - 90 Days)	845 197	600 690
Past Due (90 Days +)	8 356 541	19 070 377
Total	10 933 405	21 081 433

Other Services Ageing

Current (0 - 30 days)	471 949	378 843
Past Due (31 - 60 Days)	744 750	243 544
Past Due (61 - 90 Days)	139 708	148 643
Past Due (90 Days +)	2 048 137	3 848 988
Total	3 404 545	4 620 018

Reconciliation of Allowance for impairment

Balance at the beginning of the year	26 176 503	17 867 484
Contribution to the provision	9 180 210	8 309 019
Electricity	1 920 570	410 415
Refuse	8 289 572	7 006 578
Other Receivables	(1 029 932)	892 026
	(20 013 579)	-
Bad Debts Written off	(781 824)	-
Electricity	(18 535 527)	-
Refuse	(696 228)	-
Other Receivables		
Balance at the end of the year	24 523 344	26 176 503

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2016

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	143 446 135	80 715 655	62 730 480
Rates	143 446 135	80 715 655	62 730 480
Other Receivables	151 995	-	151 995
Government Grants	151 995	-	151 995
Total	143 598 129	80 715 655	62 882 475

30 JUNE 2015

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	99 335 060	45 249 935	54 085 125
Rates	99 335 060	45 249 935	54 085 125
Other Receivables	1 104 981	-	1 104 981
Government Grants	1 104 981	-	1 104 981
Total	100 440 042	45 249 935	55 190 106
Balance Previously reported	89 287 724	17 469 182	71 818 542
Prior Period Adjustment (Rates) - Refer to note 41.04	21 798 970	27 780 753	(5 981 783)
Prior Period Adjustment (Government Grants) - Refer to note 41.04	(10 646 653)	-	(10 646 653)
Restated Balance on 30 June 2015	100 440 041	45 249 935	55 190 105

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)		
<p>The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.</p>		
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	3 451 986	4 354 239
Past Due (31 - 60 Days)	2 290 732	4 954 908
Past Due (61 - 90 Days)	54 761 484	13 208 829
Past Due (90 Days +)	82 941 933	76 817 084
Total	143 446 135	99 335 060

Reconciliation of Allowance for impairment

Balance at the beginning of the year	45 249 935	15 366 099
Contribution to the provision	35 607 800	29 883 836
Bad Debts Written off	(142 080)	-
Balance at the end of the year	80 715 655	45 249 935

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

5 TAXES

Vat Receivable	3 779 187	3 102 437
Balance previously reported		3 863 037
Prior Period Adjustment - Refer to note 41.04		(760 600)
Total	3 779 187	3 102 437

VAT is accounted for on the payment/cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

6 OPERATING LEASES

6.1 OPERATING LEASE ASSETS

Operating Lease Asset

	2016 R	2015 R
	-	-

Operating leases arrangements consist mainly out of municipal properties being leased out to municipal employees. These contract does not have defined lease payment terms, as it is based on a percentage of the employees' basic salary.

As GRAP 13 only requires the disclosure for contracts with defined lease payments and lease terms, no further information is provided in this regard.

All rental income generated on properties are included in Rental of Facilities and Equipment.

7 INVENTORY

Consumables - General Store

Balance Previously Reported
Prior Period Adjustment - Refer to note 41.05

41 829	126 262
	153 543
	(27 281)

Consumables - Electrical Store

Balance Previously Reported
Prior Period Adjustment - Refer to note 41.05

347 444	378 345
	663 635
	(285 290)

Total

389 273	504 607
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Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory expensed during the year

547 003	1 426 014
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NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
8 INVESTMENT PROPERTY		
Investment Property - Carrying Value	21 208 000	20 627 700
Balance Previously Reported		18 322 500
Prior Period Adjustment - Refer to note 41.06		2 305 200

The movement in investment properties is reconciled as follows:

Opening Carrying Value	20 627 700	16 320 200
Fair Value	20 627 700	16 320 200
Fair Value Adjustment	580 300	4 307 500
Closing Carrying Value	21 208 000	20 627 700
Fair Value	21 208 000	20 627 700

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

9 PROPERTY PLANT AND EQUIPMENT

30 June 2016	Cost				Closing Balance R	Accumulated Depreciation				Carrying Value R
Opening Balance R	Additions R	Disposals R	Transfers R	Opening Balance R		Additions R	Disposals R	Closing Balance R		
Land and Buildings	55 667 943	-	(7 861 200)	2 999 944	50 806 687	5 370 453	1 585 996	(1 292 641)	5 663 808	45 142 879
Land	2 773 100	-	(1 026 900)	-	1 746 200	-	-	-	-	1 746 200
Buildings	52 894 843	-	(6 834 300)	2 999 944	49 060 487	5 370 453	1 585 996	(1 292 641)	5 663 808	43 396 679
Infrastructure	252 152 440	-	-	-	252 152 440	104 761 899	12 824 671	-	117 586 570	134 565 870
Roads and Stormwater	195 711 381	-	-	-	195 711 381	94 988 760	11 103 227	-	106 091 987	89 619 394
Electricity	54 133 060	-	-	-	54 133 060	8 959 957	1 503 733	-	10 463 690	43 669 369
Solid Waste	2 307 999	-	-	-	2 307 999	813 182	217 711	-	1 030 893	1 277 106
Community Assets	14 426 080	-	-	-	14 426 080	3 475 622	535 371	-	4 010 993	10 415 087
Park Facilities	14 426 080	-	-	-	14 426 080	3 475 622	535 371	-	4 010 993	10 415 087
Lease Assets	25 224 487	1 228 056	(526 858)	-	25 925 685	4 945 154	4 489 720	(297 320)	9 137 553	16 788 132
Office Equipment	2 179 503	1 228 056	(526 858)	-	2 880 701	698 565	902 788	(297 320)	1 304 033	1 576 668
Plant and Machinery	23 044 984	-	-	-	23 044 984	4 246 588	3 586 932	-	7 833 520	15 211 464
Other Assets	28 381 705	1 053 031	(308 441)	-	29 126 295	11 196 883	2 306 354	(288 520)	13 214 717	15 911 578
Plant and Machinery	20 194 746	131 670	(31 000)	-	20 295 416	6 655 598	1 231 351	(26 131)	7 860 817	12 434 599
Motor Vehicles	2 995 394	728 969	-	-	3 724 363	1 312 293	346 045	-	1 658 338	2 066 026
IT Equipment	2 101 862	102 572	(109 121)	-	2 095 313	1 383 091	364 374	(106 376)	1 641 088	454 225
Furniture and Fixtures	3 089 704	89 819	(168 320)	-	3 011 203	1 845 902	364 584	(156 012)	2 054 474	956 729
Work in Progress	81 600 401	32 572 733	-	(2 999 944)	111 173 190	-	-	-	-	111 173 190
Total	457 453 057	34 853 820	(8 696 499)	-	483 610 378	129 750 011	21 742 111	(1 878 481)	149 613 642	333 996 736

NKONKUBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2015	Opening Balance R			Cost			Transfers			Closing Balance R	Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions R	Disposals R	Disposals R	Disposals R	Disposals R	Transfers R	Transfers R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R
Land and Buildings	59 409 043	-	(3 741 100)	-	55 667 943	-	-	-	-	55 667 943	4 103 862	1 305 914	(39 323)	5 370 453
Land	5 014 200	-	(2 241 100)	-	2 773 100	-	-	-	-	2 773 100	-	-	-	-
Buildings	54 394 843	-	(1 500 000)	-	52 894 843	-	-	-	-	52 894 843	4 103 862	1 305 914	(39 323)	5 370 453
Infrastructure	249 121 165	-	-	3 031 275	252 152 440	-	-	-	-	252 152 440	91 658 945	13 102 955	-	104 761 899
Roads and Stormwater	195 711 381	-	-	-	195 711 381	-	-	-	-	195 711 381	83 595 239	11 393 522	-	94 988 760
Electricity	51 101 784	-	-	3 031 275	54 133 060	-	-	-	-	54 133 060	7 471 449	1 488 508	-	8 959 957
Solid Waste	2 307 999	-	-	-	2 307 999	-	-	-	-	2 307 999	592 257	220 925	-	813 182
Community Assets	14 426 080	-	-	-	14 426 080	-	-	-	-	14 426 080	2 940 251	535 371	-	3 475 622
Park Facilities	14 426 080	-	-	-	14 426 080	-	-	-	-	14 426 080	2 940 251	535 371	-	3 475 622
Lease Assets	12 742 188	12 482 299	-	-	25 224 487	-	-	-	-	25 224 487	804 329	4 140 825	-	4 945 154
IT Equipment	-	2 179 503	-	-	2 179 503	-	-	-	-	2 179 503	-	698 565	-	698 565
Plant and Machinery	12 742 188	10 302 795	-	-	23 044 984	-	-	-	-	23 044 984	804 329	3 442 260	-	4 246 588
Other Assets	29 966 706	552 055	(2 137 056)	-	28 381 705	-	-	-	-	28 381 705	10 542 651	2 545 216	(1 890 984)	11 196 883
Plant and Machinery	20 382 409	30 561	(218 225)	-	20 194 746	-	-	-	-	20 194 746	5 626 276	1 221 928	(192 606)	6 655 598
Motor Vehicles	3 645 147	195 075	(844 828)	-	2 995 394	-	-	-	-	2 995 394	1 714 359	365 313	(767 380)	1 312 293
IT Equipment	2 307 847	119 423	(325 408)	-	2 101 862	-	-	-	-	2 101 862	1 176 462	515 721	(309 092)	1 383 091
Furniture and Fixtures	3 631 303	206 996	(748 596)	-	3 089 704	-	-	-	-	3 089 704	2 025 553	442 254	(621 905)	1 845 902
Work in Progress	59 394 168	25 237 509	-	(3 031 275)	81 600 401	-	-	-	-	81 600 401	-	-	-	-
Total	425 059 350	38 271 863	(5 878 156)	-	457 453 057	-	-	-	-	457 453 057	110 050 037	21 630 281	(1 930 306)	129 750 011
														327 703 045

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2015	Opening Balance R			Cost			Closing Balance R			Accumulated Depreciation			Carrying Value R		
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R		Opening Balance R	Additions R	Disposals R	Closing Balance R		Opening Balance R	Additions R	Disposals R	Closing Balance R
Balance Previously Reported	410 563 240	38 386 802	(2 176 116)	(5 805 205)	440 968 722		119 456 461	34 294 695	(1 814 108)	151 937 048		119 456 461	34 294 695	(1 814 108)	151 937 048
Prior Period Adjustment - Refer to note 41.07	14 496 110	(114 940)	(3 702 041)	5 805 205	16 484 334		(9 406 425)	(12 664 414)	(116 198)	(22 187 037)		(9 406 425)	(12 664 414)	(116 198)	(22 187 037)
Restated Balance	425 059 350	38 271 863	(5 878 156)	-	457 453 057		110 050 037	21 630 281	(1 930 306)	129 750 011		110 050 037	21 630 281	(1 930 306)	129 750 011
															327 703 045

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease agreement as disclosed in note 13 to the financial statements

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

10

PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST

	2016 R	2015 R
Capitalised Restoration Cost - Carrying Value	12 050 752	10 111 993
Balance Previously Reported		-
Prior Period Adjustment - Refer to note 41.08		10 111 993
Total	12 050 752	10 111 993

The movement in capitalised restoration cost is reconciled as follows:

Opening Carrying Value	10 111 993	18 369 473
Cost	20 194 076	21 362 499
Accumulated Depreciation	(3 482 005)	(2 993 025)
Accumulated Impairments	(6 600 078)	-
Additions	2 593 996	-
Disposals	(343 979)	(1 168 422)
Depreciation for the year	(311 258)	(488 980)
Impairments for the year	-	(6 600 078)
Closing Carrying Value	12 050 752	10 111 993
Cost	22 444 094	20 194 076
Accumulated Depreciation	(3 793 264)	(3 482 005)
Accumulated Impairments	(6 600 078)	(6 600 078)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Nkonkobe Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
10		
PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST (CONTINUED)		
Refer to note 20 for more detail relating to this asset financed by way of a provision		
11		
INTANGIBLE ASSETS		
Intangible Assets - Carrying Value	-	-
Balance Previously Reported		320 718
Prior Period Adjustment - Refer to note 41.09		(320 718)
The movement in intangible assets is reconciled as follows:		
Opening Carrying Value	-	215 579
Cost	-	630 404
Accumulated Amortisation	-	(414 825)
Amortisation		(182 507)
Disposals	-	(33 072)
Closing Carrying Value	-	-
Cost	-	-
Accumulated Amortisation	-	-

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

12

HERITAGE ASSETS

Heritage Assets - Carrying Value

2016
R

2015
R

-

-

The municipality holds heritage assets, but was unable to obtain fair values of such assets. These assets are disclosed herein in terms of GRAP 103.17 which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

The following Heritage Assets were identified:

Dr John Knox Bokwe Graves	Alice
Fort Woburn	Alice
Nkonkobe Garden of Remembrance	Alice
Fort Armstrong	Balfour
Maqoma Great Place	Balfour
Ntsikana Grave	Balfour
Oliver Shreiner House	Balfour
Fort Beaufort Historical Museum	Fort Beaufort
Fort Fordyce Fallen Site	Fort Beaufort
Infantry Barracks	Fort Beaufort
Lake's Man Fort	Fort Beaufort
Lord Charles Somerset House	Fort Beaufort
Mansonic Lodge	Fort Beaufort
Martello Tower	Fort Beaufort
Mater Hill	Fort Beaufort
Military Museum	Fort Beaufort
Military Hospital	Fort Beaufort
Officers Quarters	Fort Beaufort
The Fort	Fort Beaufort
The Officers Mess	Fort Beaufort
Ecology Shrine	Hogsback
Fort Michel	Seymour
Eland Post	Seymour
Christmas Day Massacre Memorial	Woburn Village
Tyali's Great Place	Woburn Village
The Presidency Sundial	Woburn Village
Nontetha's Grave	Middledrift

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

13

LONG-TERM LIABILITIES

	2016 R	2015 R
Finance Lease Liabilities	8 649 040	16 362 835
Balance previously reported		18 713 987
Prior Period Adjustment - Refer to note 41.16		(1 342 669)
Sub-Total	8 649 040	16 362 835
Less: Current portion of Long-term Liabilities	7 654 997	8 541 188
Finance Lease Liabilities	7 654 997	8 541 188
Balance previously reported		9 768 886
Prior Period Adjustment - Refer to note 41.1		(1 227 698)
Total	994 043	7 821 647

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Laman Financial Services - Grader 140K	11.48%	31-Jan-17
2	Laman Financial Services - Backhoe Loader 428 F	11.48%	31-Jan-17
3	Laman Financial Services - Dozer D6R	11.48%	31-Jan-17
4	Laman Financial Services - Excavator 320D	11.48%	31-Jan-17
5	Laman Financial Services - Tipper Truck CLA 26 280	11.48%	30-Jul-17
6	Laman Financial Services - Water Tanker 18000L	11.48%	30-Jul-17
7	Laman Financial Services - Tow tractor	11.48%	30-Jul-17
8	Laman Financial Services - Tectron Grid Roller	11.48%	30-Jul-17
9	Laman Financial Services - Refuse Truck 19m 3 Isuzu	11.48%	30-Jul-17
10	Aloe XEROX - 37 different Copier Machines	17.72%	14-Jun-17
11	Aloe XEROX - 14 different Copier Machines	17.72%	30-Jun-18
12	Aloe XEROX - 2 different Copier Machines	17.72%	23-Mar-19

All lease agreements have no escalation clause over the respective periods. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier at the end of the lease term when the contract is cancelled.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

13

LONG-TERM LIABILITIES (CONTINUED)

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2016 R	2015 R	2016 R	2015 R
1	1 940 810	2 445 938	699 511	1 795 376
2	880 741	1 109 969	317 439	814 743
3	3 811 310	4 803 267	1 373 681	3 525 711
4	1 221 912	1 539 935	440 404	1 130 348
5	1 101 843	1 325 512	613 411	1 116 065
6	1 455 268	1 799 902	847 881	1 542 668
7	1 537 727	1 849 879	856 074	1 557 575
8	994 992	1 196 971	553 926	1 007 835
9	2 266 860	2 727 023	1 261 993	2 296 119
10	570 610	1 480 938	650 083	1 576 397
11	304 537	-	330 400	-
12	701 520	-	704 238	-
	16 788 132	20 279 333	8 649 040	16 362 836

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 9.

Finance Lease Liabilities are payable as follows:

Payable within one year	8 260 858	10 058 132
Payable within two to five years	1 092 488	8 297 495
Total amount payable	9 353 346	18 355 627
Less: Outstanding Future Finance Charges	(704 306)	(1 992 791)
Present value of finance lease liabilities	8 649 040	16 362 836

14

CONSUMER DEPOSITS

Electricity	1 453 464	1 371 746
Total	1 453 464	1 371 746

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

15

PAYABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade Payables	39 977 107	40 316 047
Balance previously reported		36 153 193
Prior Period Adjustment - Refer to note 41.110		4 162 854
Debtors with credit balances	8 916 809	9 471 373
Balance previously reported		14 599 862
Prior Period Adjustment - Refer to note 41.110		(5 128 489)
Unidentified Deposits	7 916 494	4 339 532
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.110		4 339 532
Sundry Creditors	2 516 623	2 412 024
Balance previously reported		20 081 846
Prior Period Adjustment - Refer to note 41.110		(17 669 822)
Accrued Leave Pay and Bonuses	-	-
Balance previously reported		7 399 975
Prior Period Adjustment - Refer to note 41.110		(7 399 975)
Total	59 327 034	56 538 977

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

16

UNSPENT CONDITIONAL GOVERNMENT GRANTS

National Government	2 916 291	6 175 270
Provincial Government	1 184 412	861 557
Total	4 100 703	7 036 827

Detail reconciliations of all grants received and grant conditions met are included in note 23. Unspent grant balances are recognised to the extent that conditions are not yet met.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

17

CURRENT EMPLOYEE BENEFITS

	2016 R	2015 R
Current Portion of Post Retirement Benefits	466 488	408 336
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.12		408 336
Current Portion of Long-Service Provisions	804 600	955 437
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.12		955 437
Bonuses	1 951 182	1 933 264
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.12		1 933 264
Staff Leave	6 011 863	5 510 408
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.12		5 510 408
Total	9 234 133	8 807 445

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	1 933 264	2 153 492
Contribution during the year	4 489 816	3 996 530
Payments made	(4 471 898)	(4 216 758)
Opening Balance	1 951 182	1 933 264

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Staff Leave

Opening Balance	5 510 408	4 828 853
Contribution during the year	1 121 207	1 569 136
Payments made	(619 752)	(887 581)
Opening Balance	6 011 863	5 510 408

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
17 CURRENT EMPLOYEE BENEFITS (CONTINUED)		
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.		
18 PROVISIONS		
Current portion of Rehabilitation Provision	-	7 219 726
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.13		7 219 726
Total	-	7 219 726
The current portion of rehabilitation provision relates to the Fort Beaufort Landfill Site which is in process of being rehabilitated. On 30 June 2016 this site was fully rehabilitated. More detail relating to this provision is included in note 20.		
19 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	22 362 312	18 398 189
Balance previously reported		18 398 616
Prior Period Adjustment - Refer to note 41.17		(427)
Long Service Awards	4 953 674	4 871 699
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.17		4 871 699
Sub-Total	27 315 986	23 269 888
Less: Current portion of Employee Benefits	1 271 088	1 363 773
Post Retirement Medical Benefits	466 488	408 336
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.17		408 336
Long Service Awards	804 600	955 437
Balance previously reported		-
Prior Period Adjustment - Refer to note 41.17		955 437
Total	26 044 898	21 906 115

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

19.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

	2016 R	2015 R
Opening Balance	18 398 189	18 478 573
Contribution during the year	3 085 479	2 983 894
Current Service Cost	1 436 442	1 306 328
Interest Cost	1 649 037	1 677 566
Payments made	(435 208)	(409 303)
Actuarial Loss/(Gain)	1 313 852	(2 654 975)
Total balance at year-end	22 362 312	18 398 189
Less Current Portion	466 488	408 336
Total	21 895 824	17 989 853

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2016	2015
In-service members	134	137
Continuation members	11	9
Total	145	146

The liability in respect of past service has been estimated to be as follows:

	2016 R	2015 R
In-service members	16 880 327	13 623 184
Continuation members	5 481 985	4 775 005
Total Unfunded Liability	22 362 312	18 398 189

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014 (R millions)	2013 (R millions)	2012 (R millions)
Accrued liability	18.479	13.381	12.445
Total Unfunded Liability	18.479	13.381	12.445

Experience adjustments were calculated as follows:

	2016 (R millions)	2015 (R millions)
Liabilities: (Gain)/Loss	1.001	(2.355)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014 (R millions)	2013 (R millions)	2012 (R millions)
Liabilities: (Gain)/Loss	2.709	(0.564)	(4.251)
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

	2016	2015
Key Actuarial Assumptions used are as follows:		

Interest Rates

Discount rate	9.14%	9.06%
Health Care Cost Inflation Rate	8.22%	8.13%
Net Effective Discount Rate	0.85%	0.86%

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 2 year of age was used by the actuaries.

Normal Retirement Age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 22 July 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	16.880	5.482	22.362	
Health care inflation				
+ 1%	20.758	6.003	26.761	20%
- 1%	13.846	5.032	18.878	-16%
Discount rate				
+ 1%	13.892	5.039	18.931	-15%
- 1%	20.763	6.004	26.767	20%
Post-retirement mortality				
- 1 year	17.468	5.724	23.193	4%
Average retirement age				
- 1 year	17.631	5.482	23.113	3%
Continuation of membership at retirement				
- 10%	15.380	5.482	20.862	-7%

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.734	2.023	3.757	
Health care inflation				
+ 1%	2.168	2.425	4.592	22%
- 1%	1.401	1.704	3.105	-17%
Discount rate				
+ 1%	1.419	1.896	3.315	-12%
- 1%	2.149	2.160	4.308	15%
Post-retirement mortality				
- 1 year	1.793	2.099	3.891	4%
Average retirement age				
- 1 year	1.828	2.091	3.919	4%
Continuation of membership at retirement				
- 10%	1.586	1.886	3.471	-8%

19.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	4 871 699	3 807 449
Contribution during the year	974 075	825 757
Current Service Cost	633 681	536 889
Interest Cost	340 394	288 868
Payments made	(433 613)	(130 008)
Actuarial Loss/(Gain)	(458 486)	368 502
Total balance at year-end	4 953 675	4 871 699
Less Current Portion	804 600	955 437
Total	4 149 075	3 916 262

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	2016	2015
In-service members	256	263

The liability in respect of past service has been estimated to be as follows:

	2016 R	2015 R
In-service members	4 953 675	4 871 699
Total Unfunded Liability	4 953 675	4 871 699

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014 R	2013 R	2012 R
In-service members	3 807 449	3 491 584	2 477 206
Total Unfunded Liability	3 807 449	3 491 584	2 477 206

Experience adjustments were calculated as follows:

	2016 R	2015 R
Liabilities: (Gain)/Loss	222 652	523 331
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014 R	2013 R	2012 R
Liabilities: (Gain)/Loss	290 211	778 207	130 750
Assets: Gain/(Loss)	-	-	-

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

2016

2015

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	8.43%	7.73%
General Salary Inflation (long-term)	7.09%	6.91%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.77%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 22 July 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	4.954	
General salary inflation		
+ 1%	5.246	6%
- 1%	4.689	-5%
Discount rate		
+ 1%	4.675	-6%
- 1%	5.267	6%
Average retirement age		
- 2 years	4.403	-11%
+ 2 years	5.465	10%
Withdrawal rates		
- 50%	5.824	18%

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.634	0.384	1.019	
General salary inflation				
+ 1%	0.679	0.409	1.088	7%
- 1%	0.594	0.362	0.956	-6%
Discount rate				
+ 1%	0.598	0.404	1.001	-2%
- 1%	0.676	0.362	1.038	2%
Average retirement age				
- 2 years	0.587	0.338	0.925	-9%
+ 2 years	0.677	0.427	1.104	8%
Withdrawal rates				
- 50%	0.811	0.458	1.268	25%

19.3 Other Pension Benefits

Defined Benefit Plans	2016 R	2015 R
Council contributes to the following defined benefit plans:		
Cape Joint Pension Fund	7 443 185	7 099 035
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 101.4% (30 June 2014 - 106.2%).		
Total	7 443 185	7 099 035

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

19

EMPLOYEE BENEFITS (CONTINUED)

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund and Cape Joint Pension Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2016 R	2015 R
Defined Benefit Plans		
Council contributes to the following defined benefit plans:		
Government Employees Pension Fund	36 531	40 708
SALA Pension Fund	495 865	495 070
SAMWU National Provident Fund	1 172 712	1 138 103
Total	1 705 107	1 673 880

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20

NON-CURRENT PROVISIONS

	2016 R	2015 R
Rehabilitation Provision - Landfill Sites	19 930 483	16 228 429
Balance previously reported		10 468 619
Prior Period Adjustment - Refer to note 41.18		5 759 809
Long Service Awards	-	-
Balance previously reported		4 871 699
Prior Period Adjustment - Refer to note 41.18		(4 871 699)
Total	19 930 483	16 228 429

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	23 448 155	27 440 625
Contribution during the year	3 702 054	(214 912)
Disposals	(343 979)	(1 168 422)
Additions	2 593 996	-
Interest Cost	1 452 037	953 511
Rehabilitation Expenditure Incurred	(7 219 726)	(3 777 558)
Payment made	-	(111 797)
Assistance-in-Kind	(7 219 726)	(3 665 761)
Total balance at year-end	19 930 483	23 448 155
Less Current Portion	-	7 219 726
Total	19 930 483	16 228 429

The total obligation at year-end can be attributed to the following sites:

Site	Expected Closure Date		
Alice	2050	12 958 323	9 513 139
Middledrift	2100	3 687 985	3 535 476
Seymour	2028	3 284 175	3 179 814
Fort Beaufort	Closed	-	7 219 726
Total		19 930 483	23 448 155

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which was stated at 8.95% (2015 – 3.47%)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016	2015
20 NON-CURRENT PROVISIONS		
Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.		
The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m ²):		
Alice	31 524	21 638
Middledrift	4 836	4 836
Seymour	3 317	3 317
The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m ²):		
Alice	411	440
Middledrift	763	731
Seymour	990	959
Rehabilitation of the Fort Beaufort site commenced in 2014/2015 and were completed during 2015/2016. The rehabilitation were done by the Department of Environmental Affairs on behalf of the municipality. Refer to note 26 for assistance in kind recognised		
	2016	2015
	R	R
21 RESERVES		
Accumulated Surplus	319 021 336	290 348 752
Balance previously reported		253 201 557
Prior Period Adjustment - Refer to note 41.20		37 147 194
Revaluation Reserve	-	-
Balance previously reported		2 659 100
Prior Period Adjustment - Refer to note 41.19		(2 659 100)
Total	319 021 336	290 348 752

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

22

PROPERTY RATES

	2016 R	2015 R
Total Property Rates	65 001 640	65 199 004
Total	65 001 640	65 199 004

Property rate levied are based on the following rateable valuations:

Residential	1 304 229 700	1 131 975 500
Business & Commercial	803 725 992	796 875 992
State-owned	2 232 549 900	2 428 463 200
Total Valuation	4 340 505 592	4 357 314 692

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

Agriculture (Residential)	0.007900 c / R	0.007900 c / R
Agriculture (Business)	0.015800 c / R	-
Agriculture (Other)	0.007900 c / R	0.007900 c / R
Privately Owned Town (Serviced by owner)	0.008137 c / R	0.007900 c / R
Business and Commercial	0.016274 c / R	0.015800 c / R
Churches/Place of Public Worship	Exempt	Exempt
Government	0.023700 c / R	0.023700 c / R
Guest House/Hotel	0.016274 c / R	0.015800 c / R
Industrial	0.007900 c / R	0.007900 c / R
Properties used for multi purpose	0.010000 c / R	-
Education	0.023700 c / R	0.023700 c / R
Public Benefit Organization	Exempt	Exempt
Public service infrastructure	Exempt	Exempt
Residential/Small holding	0.007900 c / R	0.007900 c / R
Rural communal land	0.023700 c / R	-
Vacant land	0.008400 c / R	0.008400 c / R
Sectional Title	0.007900 c / R	0.007900 c / R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
22 PROPERTY RATES		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.		
23 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants - National Government	130 357 000	106 485 000
Equitable Share	130 357 000	106 485 000
Conditional Grants - National Government	47 392 592	37 910 303
Municipal Finance Management Grant	1 800 000	1 800 000
Municipal Systems Improvement Grant	930 000	934 000
Municipal Infrastructure Grant	34 361 980	26 031 730
Energy Efficiency and Demand Side Management Grant	-	2 452 987
Integrated National Electrification Programme (INEP)	9 047 014	2 652 357
Expanded Public Works Program	1 041 000	3 670 000
LG-SETA	212 599	369 230
Conditional Grants - Provincial Government	978 145	801 000
Library Grant	801 000	801 000
Quarry Mining Grant	177 145	-
Total	178 727 736	145 196 303
Disclosed as:		
Government Grants and Subsidies - Capital	40 067 680	31 626 723
Government Grants and Subsidies - Operating	138 660 057	113 569 580
Total	178 727 736	145 196 303
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	130 357 000	106 485 000
Corporate Services	212 599	369 230
Financial Management	2 730 000	2 734 000
Strategic Management	978 145	1 871 000
Engineering	44 449 993	33 737 073
Total	178 727 736	145 196 303

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		

The movements per grant can be summarised as follows:

23.01 Equitable Share

Grants Received	130 357 000	106 485 000
Transferred to Revenue - Operating	(130 357 000)	(106 485 000)
Closing Unspent Balance	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.02 Municipal Finance Management Grant

Grants Received	1 800 000	1 800 000
Transferred to Revenue - Operating	(1 800 000)	(1 800 000)
Closing Unspent Balance	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

23.03 Municipal Systems Improvement Grant

Grants Received	930 000	934 000
Transferred to Revenue - Operating	(930 000)	(934 000)
Closing Unspent Balance	-	-

To assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

23.04 Municipal Infrastructure Grant

	2016 R	2015 R
Opening Unspent Balance	6 175 270	-
Grants Received	33 426 000	32 207 000
Transferred to Revenue - Capital	(31 020 666)	(24 421 380)
Transferred to Revenue - Operating	(3 341 313)	(1 610 350)
Returned National Revenue Fund	(2 323 000)	-
Closing Unspent Balance	<u>2 916 291</u>	<u>6 175 270</u>

The Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities .

23.05 Energy Efficiency and Demand Side Management Grant

Opening Unspent Balance	-	1 975 301
Grants Received	10 000 000	1 500 000
Transferred to Revenue - Capital	(9 047 014)	(2 452 987)
Returned National Revenue Fund	-	(1 975 301)
Transfer to/(from) Receivables	(952 987)	952 987
Closing Unspent/(Unpaid) Balance	<u>-</u>	<u>-</u>

To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

23.06 Integrated National Electrification Programme (INEP)

Opening Unspent Balance	-	2 096 061
Grants Received	-	2 500 000
Transferred to Revenue - Capital	-	(2 652 357)
Returned National Revenue Fund	-	(2 095 699)
Transfer to/(from) Receivables	-	151 995
Closing Unspent Balance	<u>-</u>	<u>-</u>

To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

23 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

23.07 Expanded Public Works Program

	2016 R	2015 R
Grants Received	1 041 000	3 670 000
Transferred to Revenue - Capital	-	(2 100 000)
Transferred to Revenue - Operating	(1 041 000)	(1 570 000)
Closing Unspent Balance	-	-

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

23.08 Library Grant

Grants Received	801 000	801 000
Transferred to Revenue - Operating	(801 000)	(801 000)
Closing Unspent Balance	-	-

To provide the municipality with finance for the operation and administration of Community Libraries.

23.09 LG-SETA

Grants Received	212 599	369 230
Transferred to Revenue - Operating	(212 599)	(369 230)
Closing Unspent Balance	-	-

The LG SETA Grant is utilised to cover expenditure relating to training.

23.10 Other Provincial Allocations

Opening Unspent Balance	861 557	861 557
Grants Received	500 000	-
Transferred to Revenue - Operating	(177 145)	-
Closing Unspent Balance	1 184 412	861 557

Other Provincial Allocations includes the following grants:

- Quarry Mining Grant
- ECDLGTA - Greening and Beautification
- LSDF - Middledrift Spatial Development Framework

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

		2016 R	2015 R
23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
	23.11 Total Grants		
	Opening Unspent Balance	7 036 827	4 932 919
	Grants Received	179 067 599	150 266 230
	Transferred to Revenue - Capital	(40 067 680)	(31 626 723)
	Transferred to Revenue - Operating	(138 660 057)	(113 569 580)
	Returned National Revenue Fund	(2 323 000)	(4 071 000)
	Transfer to/(from) Receivables	(952 987)	1 104 981
	Closing Unspent Balance	4 100 703	7 036 827
24	FINES		
	Traffic Fines	249 270	42 950
	Total	249 270	42 950
25	ACTUARIAL GAINS		
	Post Retirement Medical Benefits	-	2 654 975
	Long Service Awards	458 486	-
	Total	458 486	2 654 975
26	ASSISTANCE IN-KIND		
	Rehabilitation of Landfill Sites	7 219 726	3 665 761
	Soil Erosion Project	-	9 353 347
	Total	7 219 726	13 019 108
	Assistance in kind relates to support provided by the Department of Environmental Affairs. The department assisted with the rehabilitation of the Fort Beaufort Landfill Site as well as the rehabilitation of other land in the municipal area.		
26	SERVICE CHARGES		
	Electricity Revenue	37 160 754	30 399 089
	Refuse Removal Revenue	10 545 483	10 035 599
	Total Revenue	47 706 238	40 434 688
	Less: Rebates	(902 555)	(2 690 791)
	Refuse Removal Revenue	(902 555)	(2 690 791)
	Total	46 803 683	37 743 896

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
26 SERVICE CHARGES (CONTINUED)		
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
27 RENTAL OF FACILITIES AND EQUIPMENT		
Hall Rental	168 653	117 613
Municipal Houses	60 333	48 478
Equipment	6 974	12 386
Properties	115 505	114 096
Billboards	39 154	29 510
Total	390 619	322 083
28 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	1 826 360	1 126 115
Interest Earned - Penalty Interest on Property Rates	6 388 486	3 938 791
Total	8 214 846	5 064 906
29 OTHER INCOME		
Connections - Electricity	60 317	41 621
Building Plan Fees	42 679	179 063
Burial and Cemetery fees	24 272	36 455
Commission Received	83 903	97 667
Insurance fee	1 662	6 648
Printing and Stationary	1 696	30 779
Tender Deposits	20 877	26 933
Valuation Certificates	17 823	18 910
Sundry Income	4 905 593	1 118 764
Total	5 158 823	1 556 841

Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the financial statements.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

30

EMPLOYEE RELATED COSTS

	2016 R	2015 R
Basic Salaries and Wages	63 630 101	59 995 105
Pension and UIF Contributions	9 796 822	9 373 242
Medical Aid Contributions	3 665 631	3 137 920
Overtime	2 072 722	1 722 191
Annual Bonus	4 489 816	3 996 530
Motor Vehicle Allowance	4 037 318	4 183 410
Housing Allowances	747 921	739 806
Other benefits and allowances	2 059 871	2 948 043
Payments in lieu of leave	1 121 207	1 569 136
Long service awards	633 681	536 889
Post Retirement Medical Benefits	1 436 442	1 306 328
Total	93 691 533	89 508 599

Remuneration of Key Personnel

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

Remuneration of the Acting Municipal Manager - L Menze

Basic Salary	579 374	554 248
Pension and UIF Contributions	1 785	1 785
Bonus	-	27 110
Motor Vehicle Allowance	140 129	132 550
Housing Allowances	186 804	176 652
Cellphone Allowance	46 710	44 183
Other benefits and allowances	157 267	56 179
Total	1 112 068	992 707

Remuneration of the Municipal Manager - KC Maneli

Basic Salary	-	426 199
Pension and UIF Contributions	-	1 190
Motor Vehicle Allowance	-	132 880
Housing Allowances	-	99 643
Cellphone Allowance	-	33 225
Payments in lieu of leave	-	174 384
Other benefits and allowances	-	54
Total	-	867 575

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
30 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of the Chief Financial Officer - B Lubelwana		
Basic Salary	611 369	532 371
Pension and UIF Contributions	1 785	1 636
Bonus	50 958	47 151
Motor Vehicle Allowance	47 769	42 124
Housing Allowances	191 078	168 475
Cellphone Allowance	48 941	43 766
Other benefits and allowances	87	75
Total	951 985	835 598
Remuneration of the Technical Services Manager - Z Nkosinkulu		
Basic Salary	579 374	554 248
Pension and UIF Contributions	1 785	1 785
Motor Vehicle Allowance	186 838	176 702
Housing Allowances	140 095	132 503
Cellphone Allowance	46 710	44 183
Other benefits and allowances	87	81
Total	954 887	909 502
Remuneration of the Corporate Services Manager - N Fololo		
Basic Salary	579 374	554 248
Pension and UIF Contributions	1 785	1 785
Medical Aid Contributions	76 513	74 849
Motor Vehicle Allowance	103 858	99 781
Housing Allowances	131 244	124 771
Cellphone Allowance	62 027	53 987
Other benefits and allowances	87	81
Total	954 887	909 502
31 REMUNERATION OF COUNCILLORS		
Councillor Allowance	12 578 168	11 703 733
Cell Phone Allowance	855 588	848 632
Total	13 433 756	12 552 365

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
31 REMUNERATION OF COUNCILLORS (CONTINUED)		
Mayor	778 880	739 363
Speaker	627 278	595 664
Chief Whip	589 378	559 740
MPAC Chairperson	551 475	523 814
Executive Committee Members	2 691 813	2 555 534
Councillors	7 978 931	7 506 250
Traditional Leaders	216 000	72 000
Total	13 433 756	12 552 365
In-kind Benefits		
The Executive Mayor, Speaker and Executive committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
32 DEBT IMPAIRMENT		
Receivables from exchange transactions	9 180 210	8 309 019
Receivables from non-exchange transactions	35 607 800	29 883 836
Total	44 788 009	38 192 855
33 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	21 742 111	21 630 281
Property, Plant and Equipment - Capitalised Restoration Cost	311 258	488 980
Intangible Assets	-	182 507
Total	22 053 370	22 301 768
34 IMPAIRMENTS		
Property, Plant and Equipment - Capitalised Restoration Cost	-	6 600 078
Total	-	6 600 078
35 REPAIRS AND MAINTENANCE		
Furniture, Office Equipment and Tools	751 401	889 598
Buildings and Commonage	896 333	10 292 317
Plant, Machinery and Vehicles	4 291 112	3 954 167
Infrastructure: Roads and Stormwater	239 675	167 884
Infrastructure: Electricity	1 535 670	6 021 710
Total	7 714 192	21 325 676

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

		2016 R	2015 R
36	ACTUARIAL LOSSES		
	Post Retirement Medical Benefits	1 313 852	-
	Long Service Awards	-	368 502
	Total	1 313 852	368 502
37	FINANCE CHARGES		
	Finance Lease Liabilities	1 294 205	1 039 897
	Post Retirement Medical Benefits	1 649 037	1 677 566
	Long Service Awards	340 394	288 868
	Rehabilitation Provision - Landfill Sites	1 452 037	953 511
	Creditors	900 140	1 309 412
	Total	4 735 673	3 959 841
38	BULK PURCHASES		
	Electricity	34 006 851	30 584 625
	Total	34 006 851	30 584 625
39	TRANSFERS AND GRANTS		
	Indigent Subsidy (Eskom Consumers)	4 004 791	3 470 384
	Indigent Subsidy (Paraffin Hampers)	113 091	144 048
	Nkonkobe Economic Development Agency (NEDA)	2 505 422	1 571 228
	Other	-	200 000
	Total	6 623 304	5 385 660
40	OTHER EXPENDITURE		
	Advertising	484 918	237 372
	Audit Committee Allowances	245 215	24 687
	Audit fees	4 125 016	3 830 590
	Bank Charges	230 962	379 966
	Bursaries	5 400	119 664
	Refuse Removal	705 151	1 338 158
	Cleaning projects	255 860	16 053
	Commissions Paid	9 564	31 122
	Consumables	484 016	342 202
	Donations	48 550	23 189
	Entertainment costs	100 066	87 328
	Employee Wellness	85 751	40 112

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
40 OTHER EXPENDITURE (CONTINUED)		
Events	395 275	237 052
Job creation projects	2 555 444	1 471 957
Legal fees	970 371	320 251
License fees - Vehicles	296 058	292 435
Operating Grant Expenditure	12 422 656	333 576
Printing & Stationery	472 206	548 897
Professional & Consultancy Fees	3 938 357	2 529 453
Protective Clothing	610 432	210 487
Rental of Equipment	1 012 246	799 018
Security Services	345 055	178 369
Service Charges	1 062 051	288 218
Special Programmes	2 355 207	2 792 725
Subscriptions and Membership Fees	2 192 756	737 525
Subsistence & Travel	1 946 855	2 180 288
Telephone Cost	4 005 131	3 718 214
Training	1 211 793	986 901
Tourism Development	1 029 826	526 431
Valuation Costs	873 157	1 704 842
Ward Committees	2 772 231	2 719 312
General Expenses	772 232	666 394
Total	48 019 811	29 712 787

	2015 R
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41 PRIOR PERIOD ADJUSTMENTS

CORRECTION OF ERROR

Certain errors were detected which relates to prior years. These errors were restated retrospectively. The effects are listed below.

41.01 Cash and Cash Equivalents

Balance previously reported

Clearing of Cash Suspense account incorrectly recognised up to 30 June 2014

Effect on Payables from Exchange Transactions - Refer to note 41.110

Effect on Receivables from Exchange Transactions - Refer to note 41.02

Effect on Receivables from Non-Exchange Transactions - Refer to note 41.03

Effect on Accumulated Surplus up to 30 June 2014 - Refer to note 41.20

3 851 778

(783 101)

(784 379)

(1 459)

(163)

2 901

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Clearing of Cash Suspense account incorrectly recognised during 2014/2015	(17 080)
Effect on Payables from Exchange Transactions - Refer to note 41.110	(4 577)
Effect on Receivables from Exchange Transactions - Refer to note 41.02	(3 151)
Effect on Receivables from Non-Exchange Transactions - Refer to note 41.03	(2 712)
Effect on Statement of Financial Performance during 2014/15 - Refer to note 41.21	(6 639)
Petty Cash Expenditure incorrectly not recognised in 2014/2015 - Refer to note 41.21	(5 559)
Restated Balance on 30 June 2015	3 046 038
41.02 Receivables from Exchange Transactions	
Balance previously reported	8 519 408
Recognition of receipts on 30 June 2015	(24 719)
Effect on Electricity - Refer to note 41.15	(12 560)
Effect on Refuse - Refer to note 41.15	(12 159)
Clearing of Cash Suspense account incorrectly recognised up to 30 June 2014 - Refer to note 41.01	1 459
Clearing of Cash Suspense account incorrectly recognised during 2014/15 - Refer to note 41.01	3 151
Incorrect allocation of prior year debt impairment contribution relating to Refuse - Refer to note 41.21	(7 784 949)
Reversal of journal incorrectly passed to write of refuse receivables	-
Effect on Gross Receivables	(7 784 949)
Effect on Provision for Impairment (Bad Debts written off)	7 784 949
Provision for Impairment on 30 June 2014 relating to Non-Exchange Transactions incorrectly allocated to Exchange Receivables - Refer to note 41.03	15 366 099
Correction of Debt impairment in line with recovery rate of receivables - Refer to note 41.21	(7 199 087)
Effect on Provision for Impairment (Electricity)	(196 603)
Effect on Provision for Impairment (Refuse)	(6 153 575)
Effect on Provision for Impairment (Other)	(848 909)
Correction of Payroll Suspense Account (Expenditure to be Recovered) - Refer to note 41.110	71 118

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Reversal of bad debts incorrectly written off prior to Council Approval

-

Effect on Gross Receivables (Electricity)

933 987

Effect on Gross Receivables (Refuse)

20 936 335

Effect on Gross Receivables (Other)

1 162 629

Effect on Provision for Impairment (Bad Debts written off)

(23 032 950)

Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2014

(2 088 123)

Effect on Gross Receivables (Electricity) - Refer to note 41.20

(1 976 534)

Effect on Gross Receivables (Refuse) - Refer to note 41.20

(24 423)

Effect on Gross Receivables (Other) - Refer to note 41.20

(40 639)

Effect on Gross Receivables (Other) - VAT - Refer to note 41.04

(46 527)

Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2015

(1 329 432)

Effect on Gross Receivables (Electricity) - Refer to note 41.21

(1 292 115)

Effect on Gross Receivables (Refuse) - Refer to note 41.21

(11 943)

Effect on Gross Receivables (Other) - Refer to note 41.21

(8 588)

Effect on Gross Receivables (Other) - VAT - Refer to note 41.04

(16 786)

Restated Balance on 30 June 2015

5 534 924

41.03 Receivables from Non-Exchange Transactions

Balance previously reported

71 818 543

Recognition of receipts on 30 June 2015

(16 151)

Effect on Rates - Refer to note 41.15

(16 151)

Clearing of Cash Suspense account incorrectly recognised up to 30 June 2014 - Refer to note 41.01

163

Clearing of Cash Suspense account incorrectly recognised during 2014/15 - Refer to note 41.01

2 712

Provision for Impairment on 30 June 2014 relating to Non-Exchange Transactions incorrectly allocated to Exchange Receivables - Refer to note 41.02

(15 366 099)

Reversal of receivable/payable incorrectly raised for services in-kind to be delivered in future years. Revenue to be raised in line with timing of benefits received - Refer to note

(20 000 000)

Revenue relating to Services in-kind (Soil Erosion Project) incorrectly recognised against receivable account - Refer to note

9 353 347

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
Correction of Debt impairment in line with recovery rate of receivables (Rates) - Refer to note 41.21	(12 414 654)
Correction of Government Rates incorrectly raised in prior years	21 986 790
Effect on Rates up to 30 June 2014 - Refer to note 41.20	14 044 964
Effect on Rates during 2014/15 - Refer to note 41.21	7 941 826
Remove internal rates accounts (Municipal Accounts) from outstanding receivables up to 30 June 2014 - Refer to note 41.20	(28 374)
Remove internal rates accounts (Municipal Accounts) from outstanding receivables up to 30 June 2015 - Refer to note 41.21	(146 171)
Restated Balance on 30 June 2015	55 190 106

41.04 Taxes

Balance previously reported	3 863 037
Recognition of receipts on 30 June 2015 - Refer to note 41.15	(110 287)
Correction of Finance Lease Liabilities on 1 July 2014 - Refer to note 41.16	(2 117 077)
Correction of movement on Finance Lease Liabilities (Xerox) during 2014/15 - Refer to note 41.16	(305 130)
Recognise unrecorded accruals on 30 June 2015 - Refer to note 41.110	214 902
Correction of VAT Output in Suspense incorrectly written off on 30 June 2014 - Refer to note 41.20	(1 706 731)
Correction of VAT control on 30 June 2014 - Refer to note 41.20	(50 150)
Correction of movement on VAT control during 2014/15 - Refer to note 41.21	1 071 749
VAT incorrectly claimed on finance charges - Refer to note 41.07	(24 391)
Correction of VAT input control on 30 June 2014 - Refer to note 41.20	1 471 659
Recognise VAT recoveries prior to 30 June 2014 - Refer to note 41.20	851 868
Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2014 - Refer to note 41.02	46 527
Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2015 - Refer to note 41.02	16 786
Correction of VAT Treatment on interest payable to Eskom - Refer to note 41.21	(120 324)
Restated Balance on 30 June 2015	3 102 437

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

		2015 R
41	PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
41.05 Inventory		
Balance previously reported		817 178
Correction of inventory movements (General Store) not accounted for during 2014/15 - Refer to note 41.21		(27 281)
Correction of inventory movements (Electrical Store) not accounted for during 2014/15 - Refer to note 41.21		(285 290)
Restated Balance on 30 June 2015		504 607
41.06 Investment Property		
Balance previously reported		18 322 500
Correction of fair Value of Investment Property on 30 June 2014 - Refer to note 41.20		(4 901 500)
Reversal of Transfer incorrectly recognised in 2014/2015 - Refer to note 41.07		2 305 200
Restatement of Fair Value Adjustments during 2014/2015 - Refer to note 41.21		4 901 500
Restated Balance on 30 June 2015		20 627 700
41.07 Property, Plant and Equipment		
Balance previously reported		289 031 674
Reallocate capitalised cost relating to the rehabilitation of landfill sites to separate line on face of statement of financial position - Refer to note 41.08		(1 633 957)
Effect on Solid Waste (Cost Opening Balance)		(12 218 377)
Effect on Solid Waste (Cost Disposals)		158 390
Effect on Solid Waste (Accumulated Depreciation Opening Balance)		382 214
Effect on Solid Waste (Accumulated Depreciation Additions)		10 043 816
Leased assets incorrectly not disclosed separately in PPE note		-
Effect on Plant and Machinery (Cost Opening Balance)		(15 121 980)
Effect on Plant and Machinery (Leased) (Cost Opening Balance)		15 121 980
Effect on Plant and Machinery (Additions)		(10 240 566)
Effect on Plant and Machinery (Leased) (Additions)		10 240 566
Effect on IT Equipment (Additions)		(2 179 503)
Effect on (Additions)		2 179 503

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Alignment of the cost of Movable Assets in line with supporting asset register on 30 June 2014 - Refer to note 41.20

(228 000)

Effect on Plant and Machinery

3 970 336

Effect on Motor Vehicles

(3 853 849)

Effect on IT Equipment

(88 467)

Effect on Furniture and Fixtures

(256 021)

Alignment of asset disposals recognised during 2014/2015 in line with supporting asset register

-

Effect on Motor Vehicles

83 333

Effect on Plant and Machinery

(83 333)

Operating Expenditure incorrectly capitalised during 2014/15 - Refer to note 41.21

(8 041)

Effect on IT Equipment

(4 621)

Effect on Furniture and Fixtures

(3 420)

Correction of allocation error between classes of assets capitalised during 2014/15

-

Effect on IT Equipment

(7 000)

Effect on Plant and Machinery

7 000

Correction of movement on Finance Lease Liabilities during 2014/15 - Refer to note 41.16

62 230

Correction of LAMAN Payment Incorrectly capitalised as Work In Progress during 2014/15 - Refer to note 41.16

(1 008 482)

Correction of LAMAN finance lease capitalised at incorrect value during 2013/2014 - Refer to note 41.16

(2 379 792)

Recognise unrecorded accruals on 30 June 2015 - Refer to note 41.110

6 934 305

Alignment of Infrastructure Assets and Land and Buildings to Registers on 1 July 2014 - Refer to note 41.20

(1 598 607)

Effect on Infrastructure Electricity (Cost Opening Balance)

(163 489)

Effect on Infrastructure Electricity (Accumulated Depreciation Opening Balance)

184 040

Effect on Park Facilities (Cost Opening Balance)

180

Effect on Park Facilities (Accumulated Depreciation Opening Balance)

52 137

Effect on Infrastructure Roads (Cost Opening Balance)

944 145

Effect on Infrastructure Roads (Accumulated Depreciation Opening Balance)

(267 835)

Effect on Infrastructure Solid Waste (Cost Opening Balance)

2 307 999

Effect on Infrastructure Solid Waste (Accumulated Depreciation Opening Balance)

(592 257)

Effect on Land (Cost Opening Balance)

(338 000)

Effect on Buildings (Cost Opening Balance)

(3 519 483)

Effect on Buildings (Accumulated Depreciation Opening Balance)

(206 043)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Alignment of movements on Infrastructure Assets and Buildings to Asset Registers during 2014/15 - Refer to note 41.21

(1 001 199)

Effect on Infrastructure Roads (Depreciation)
Effect on Infrastructure Electricity (Depreciation)
Effect on Infrastructure Solid Waste (Depreciation)
Effect on Buildings (Depreciation)

(334 449)
(12 482)
161 289
(815 556)

Reversal of Transfer incorrectly recognised in 2014/2015 - Refer to note 41.06

(2 305 200)

Recognise properties incorrectly not disposed during 2014/2015 - Refer to note 41.21

(3 701 777)

Effect on Land (Cost)
Effect on Buildings (Cost)
Effect on Buildings (Accumulated Depreciation)

(2 241 100)
(1 500 000)
39 323

Correction WIP on 30 June 2014 - Refer to note 41.20

30 042 613

Account for Retentions previously not recognised on 30 June 2015 - Refer to note 41.110

2 339 935

Reversal of duplicated accruals on 30 June 2014 - Refer to note 41.20

213 877

Correction of Electricity transfers from WIP

Effect on Infrastructure Electricity (Additions)
Effect on Work in Progress (Additions)
Effect on Infrastructure Electricity (Transfer)
Effect on Work in Progress (Transfer)

(2 597 544)
2 597 544
3 031 275
(3 031 275)

Correction WIP accruals incorrectly raised/not recognised on 30 June 2014

Effect on Work in Progress (Cost Opening Balance)
Effect on Work in Progress (Additions)

475 867
(475 867)

VAT incorrectly claimed on finance charges - Refer to note 41.04

24 391

Effect on Work in Progress (Cost Opening Balance)
Effect on Work in Progress (Additions)

5 959
18 432

Interest on late payments incorrectly capitalised - Refer to note 41.21

(80 924)

Transfer from Investment Property incorrectly recognised as addition

Effect on Land (Additions)
Effect on Land (Transfers)

(2 305 200)
2 305 200

Overstatement of WIP additions during 2014/2015

Effect on WIP (Additions)
Effect on WIP (Transfers)

(5 805 205)
5 805 205

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

First Time Recognition of movable assets on 30 June 2014 (Cost) - Refer to note 41.20

219 400

Effect on IT Equipment

50 017

Effect on Furniture and Fixtures

167 780

Effect on Plant and Machinery

1 602

Recognition of Depreciation up to 30 June 2014 on First Time Recognitions - Refer to note 41.20

(132 047)

Effect on IT Equipment

(32 478)

Effect on Furniture and Fixtures

(98 608)

Effect on Plant and Machinery

(961)

Recognition of Depreciation during 2014/15 on First Time Recognitions - Refer to note 41.21

(22 008)

Effect on IT Equipment

(5 413)

Effect on Furniture and Fixtures

(16 435)

Effect on Plant and Machinery

(160)

Remove assets incorrectly recognised up to 30 June 2014 (Cost) - Refer to note 41.20

(669 201)

Effect on IT Equipment

(63 811)

Effect on Furniture and Fixtures

(376 470)

Effect on Motor Vehicles

(178 000)

Effect on Plant and Machinery

(50 921)

Remove Depreciation up to 30 June 2014 on assets incorrectly included in Asset Register - Refer to note 41.20

304 577

Effect on IT Equipment

32 374

Effect on Furniture and Fixtures

182 451

Effect on Motor Vehicles

61 885

Effect on Plant and Machinery

27 866

Remove Depreciation during 2014/15 on assets incorrectly included in Asset Register - Refer to note 41.21

120 642

Effect on IT Equipment

17 621

Effect on Furniture and Fixtures

85 781

Effect on Motor Vehicles

7 120

Effect on Plant and Machinery

10 120

Reclassification of assets between asset classes in line with updated Asset Register on 30 June 2014 (Effect on Intangible Assets) - Refer to note 41.09

16 290

Effect on IT Equipment

16 290

Effect on Motor Vehicles

(2 821 982)

Effect on Plant and Machinery

2 821 982

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Reclassification of assets between asset classes in line with updated Asset Register during 2014/15

-

Effect on Furniture and Fixtures

(23 561)

Effect on Plant and Machinery

23 561

Reclassification of assets disposed between asset classes in line with updated Asset Register during 2014/15

-

Effect on Motor Vehicles

134 892

Effect on Plant and Machinery

(134 892)

Reclassification of depreciation on assets disposed between asset classes in line with updated Asset Register during 2014/15

-

Effect on Motor Vehicles

134 474

Effect on Plant and Machinery

(134 474)

Reclassify Accumulated Depreciation on reclassified assets up to 30 June 2014 (Effect on Intangible Assets) - Refer to note 41.09

(2 261)

Effect on IT Equipment

(2 261)

Effect on Motor Vehicles

1 372 186

Effect on Plant and Machinery

(1 372 186)

Reclassify Depreciation on reclassified assets during 2014/15 (Effect on Intangible Assets) - Refer to note 41.09

(5 429)

Effect on IT Equipment

(5 429)

Effect on Motor Vehicles

(1 232 320)

Effect on Furniture and Fixtures

(495)

Effect on Plant and Machinery

1 232 815

Restatement of Depreciation on Movable Assets up to 30 June 2014 - Refer to note 41.20

9 683 900

Effect on IT Equipment

460 705

Effect on Furniture and Fixtures

733 430

Effect on Motor Vehicles

5 644 791

Effect on Plant and Machinery

3 649 302

Effect on Plant and Machinery (Leased)

(804 329)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Restatement of Depreciation on Movable Assets during 2014/15 - Refer to note 41.21

3 643 006

Effect on IT Equipment	497 196
Effect on Furniture and Fixtures	126 952
Effect on Motor Vehicles	2 111 450
Effect on Plant and Machinery	5 048 233
Effect on Plant and Machinery (Leased)	(3 442 260)
Effect on IT Equipment (Leased)	(698 565)

Restatement of Depreciation on Movable Assets disposals during 2014/15 - Refer to note 41.21

(76 876)

Effect on IT Equipment (Depreciation)	(29 340)
Effect on Furniture and Fixtures (Depreciation)	(91 959)
Effect on Motor Vehicles (Depreciation)	526 569
Effect on Plant and Machinery (Depreciation)	(519 686)
Effect on IT Equipment (Depreciation Disposals)	14 670
Effect on Furniture and Fixtures (Depreciation Disposals)	45 979
Effect on Motor Vehicles (Depreciation Disposals)	(350 189)
Effect on Plant and Machinery (Depreciation Disposals)	327 080

Recognise asset disposals previously not recognised during 2014/15 - Refer to note 41.21

(79 994)

Effect on Motor Vehicles (Cost)	(119 293)
Effect on Motor Vehicles (Accumulated Depreciation)	39 336
Effect on Furniture and Fixtures (Cost)	(37)

Restated Balance on 30 June 2015

327 703 045

41.08 Property Plant and Equipment - Capitalised Restoration Cost

Balance previously reported

-

Reallocation from Property Plant and Equipment - Refer to note 41.07

1 633 957

Restatement of Rehabilitation Provision on 30 June 2014 in line with current Cost of Construction - Refer to note 41.18

9 144 121

Restatement of Accumulated Depreciation on Capitalised Restoration Cost Asset up to 30 June 2014 - Refer to note 41.20

(2 610 811)

Restatement of Disposal of Asset during 2014/15 due to the reduction of cost of rehabilitation - Refer to note 41.18

(1 010 033)

Restatement of the depreciation charge recognised on the Capitalised Cost of rehabilitation during 2014/2015 - Refer to note 41.21

(88 676)

Restatement of the impairment charge recognised on the Capitalised Cost of rehabilitation during 2014/2015 - Refer to note 41.21

3 043 434

Restated Balance on 30 June 2015

10 111 993

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
41.09 Intangible Assets	
Balance previously reported	320 718
Alignment of the cost of Intangible Assets in line with supporting asset register on 30 June 2014 - Refer to note 41.20	548 726
Software Licences incorrectly capitalised as Intangible Assets - Refer to note 41.21	(452 012)
Remove Intangible Assets from Asset Register incorrectly included up to 30 June 2014 - Refer to note 41.20	(707 719)
Remove Accumulated Amortisation up to 30 June 2014 on Intangible assets incorrectly included in Asset Register - Refer to note 41.20	159 329
Remove Accumulated Amortisation during 2014/15 on Intangible assets incorrectly included in Asset Register - Refer to note 41.21	(13 233)
Reclassification of assets between asset classes in line with updated Asset Register on 30 June 2014 (Effect on Intangible Assets) - Refer to note 41.07	(16 290)
Reclassify Accumulated Amortisation on reclassified assets up to 30 June 2014 (Effect on Intangible Assets) - Refer to note 41.07	2 261
Reclassify Amortisation on reclassified assets during 2014/15 (Effect on Intangible Assets) - Refer to note 41.07	5 429
Restatement of Accumulated Amortisation on Intangible Assets up to 30 June 2014 - Refer to note 41.20	(99 522)
Restatement of Accumulated Amortisation on Intangible Assets during 2014/15 - Refer to note 41.21	107 373
Restatement of Amortisation on Intangible Assets disposals during 2014/15 - Refer to note 41.21	144 940
Restated Balance on 30 June 2015	-
41.1 Current Portion of Long-term Liabilities	
Balance previously reported	9 768 886
Correction of current portion of Finance Lease Liabilities on 30 June 2015 - Refer to note 41.16	(1 227 698)
Restated Balance on 30 June 2015	8 541 188
41.110 Payables from exchange transactions	
Balance previously reported	78 234 877
Unidentified Deposits incorrectly included as part of payments in advance	-
Effect on Debtors with credit balances	(5 127 063)
Effect on Unidentified Deposits	5 127 063

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Clearing of Cash Suspense account incorrectly recognised up to 30 June 2014 - Refer to note 41.01

(784 379)

Effect on Unidentified Deposits

(784 379)

Clearing of Cash Suspense account incorrectly recognised during 2014/2015 - Refer to note 41.01

(4 577)

Effect on Debtors with Credit Balances

(1 426)

Effect on Unidentified Deposits

(3 151)

Accrued Leave Pay and Bonuses incorrectly included as part of Payables - Refer to note 41.12

(7 399 975)

Payroll Suspense account incorrectly allocated to face of Statement of Financial Position - Refer to note 41.14

643 581

Recognise unrecorded accruals on 30 June 2015

7 940 643

Effect on Statement of financial performance - Refer to note 41.21

1 123 566

Effect on Property Plant and Equipment - Refer to note 41.07

6 934 305

Effect on Property Plant and Equipment - Capitalised Restoration Cost - Refer to note 41.08

111 797

Effect on Finance Lease Liabilities during 2014/15 - Refer to note 41.16

(443 926)

Effect on Taxes - Refer to note 41.04

214 902

Correction of Workmens Compensation Accrual on 30 June 2014 - Refer to note 41.20

(1 867 686)

Reversal of receivable/payable incorrectly raised for services in-kind to be delivered in future years. Revenue to be raised in line with timing of benefits received - Refer to note 41.03

(20 000 000)

Reversal of stale check balance originating from prior to 1 July 2013 - Refer to note 41.20

(23 235)

Correction of bulk purchases over provided for on 30 June 2015 - Refer to note 41.21

(2 679 924)

Correction of Payroll Suspense Account

1 709 832

Effect on Accumulated Surplus (Balance on 1 July 2014) - Refer to note 41.20

1 156 023

Effect on Statement of Financial Performance - Refer to note 41.21

482 692

Effect on Receivables from Exchange Transactions - Refer to note 41.02

71 118

Accrual not raised on 30 June 2015 relating to the Eskom Free Basic Services Account - Refer to note 41.21

298 804

Audit Fees incorrectly accrued for on behalf of NEDA - Refer to note 41.21

(1 868 918)

Account for Retentions previously not recognised on 30 June 2015 - Refer to note 41.07

2 339 935

Restated Balance on 30 June 2015

56 538 977

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41	PRIOR PERIOD ADJUSTMENTS (CONTINUED)	2015 R
41.12 Current Employee Benefits		
	Balance previously reported	-
	Recognition of current portion of Post Retirement Medical Benefits on 30 June 2015 - Refer to note 41.17	408 336
	Recognition of current portion of Long Service Awards on 30 June 2015 - Refer to note 41.17	955 437
	Correction of Bonuses incorrectly stated on 30 June 2014 - Refer to note 41.20	43 696
	Accrued Leave Pay and Bonuses incorrectly included as part of Payables	7 399 975
	Effect on Accrued Leave Pay	5 510 408
	Effect on Bonuses	1 889 567
	Restated Balance on 30 June 2015	8 807 445
41.13 Provisions		
	Balance previously reported	-
	Reallocate current portion of provision relating to the Fort Beaufort Landfill Site in progress of being rehanilitated - Refer to note 41.18	7 219 726
	Restated Balance on 30 June 2015	7 219 726
41.14 Other Liability (Current)		
	Balance previously reported	643 581
	Payroll Suspense account incorrectly allocated to face of Statement of Financial Position - Refer to note 41.110	(643 581)
	Restated Balance on 30 June 2015	-
41.15 Other Liability (Non-Current)		
	Balance previously reported	944 228
	Reallocate receipts of 30 June 2015 to correct line items	(944 228)
	Effect on Receivables from Non-Exchange Transactions (Rates) - Refer to note 41.03	(16 151)
	Effect on Receivables from Exchange Transactions (Electricity) - Refer to note 41.02	(12 560)
	Effect on Receivables from Exchange Transactions (Refuse) - Refer to note 41.02	(12 159)
	Effect on Taxes - Refer to note 41.04	(110 287)
	Effect on Revenue recognised during 2014/2015 - Refer to note 41.21	(793 072)
	Restated Balance on 30 June 2015	-

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
41.16 Long-term Liabilities	
Balance previously reported	8 945 100
Correction of Finance Lease Liabilities on 1 July 2014	(2 944 681)
Effect on VAT Receivable - Refer to note 41.04	(2 117 077)
Effect on Accumulated Surplus - Refer to note 41.20	1 552 188
Effect on Property Plant and Equipment - Refer to note 41.07	(2 379 792)
Correction of movement on Finance Lease Liabilities during 2014/15	1 602 012
Effect on Statement of financial performance - Refer to note 41.21	1 400 986
Effect on Property Plant and Equipment - Refer to note 41.07	62 230
Effect on Taxes - Refer to note 41.04	(305 130)
Effect on Payables from Exchange Transactions - Refer to note 41.110	443 926
Correction of LAMAN Payment Incorrectly capitalised as Work In Progress during 2014/15 - Refer to note 41.07	(1 008 482)
Correction of current portion of Finance Lease Liabilities on 30 June 2015 - Refer to note 41.1	1 227 698
Restated Balance on 30 June 2015	7 821 647
41.17 Employee Benefits	
Balance previously reported	18 398 616
Correction of Post Retirement Medical Benefit balance on 30 June 2014 in line with Actuarial Report - Refer to note 41.20	(427)
Long Service Awards incorrectly not allocated to Employee Benefits - Refer to note 41.18	4 871 699
Recognition of current portion of Post Retirement Medical Benefits on 30 June 2015 - Refer to note 41.12	(408 336)
Recognition of current portion of Long Service Awards on 30 June 2015 - Refer to note 41.12	(955 437)
Restated Balance on 30 June 2015	21 906 115
41.18 Non-Current Provisions	
Balance previously reported	15 340 318
Long Service Awards incorrectly not allocated to Employee Benefits - Refer to note 41.17	(4 871 699)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
Recognise unrecorded accruals on 30 June 2015 - Refer to note 41.110	(111 797)
Restatement of Rehabilitation Provision on 30 June 2014 in line with current Cost of Construction	14 215 797
Effect on Property Plant and Equipment - Capitalised Restoration Cost - Refer to note 41.08	9 144 121
Effect on Accumulated Surplus (unwinding of interest up to 30 June 2014) - Refer to note 41.20	5 071 676
Restatement of Disposal of Asset during 2014/15 due to the reduction of cost of rehabilitation - Refer to note 41.08	(1 010 033)
Restatement of Unwinding of Interest during 2014/15 on Rehabilitation Provision - Refer to note 41.21	477 280
Increase in in-kind assistance due to restatement of rehabilitation of landfill site provision - Refer to note 41.21	(477 367)
Correction of lease adjustments incorrectly passed against landfill site provision during 2013/2014 - Refer to note 41.20	(114 345)
Reallocate current portion of provision relating to the Fort Beaufort Landfill Site in progress of being rehanilitated - Refer to note 41.13	(7 219 726)
Restated Balance on 30 June 2015	16 230 444
41.19 Revaluation Reserve	
Balance previously reported	2 659 100
Revaluation reserve incorrectly recognised on Investment Property which is accounted for on the fair value model - Refer to note 41.20	(2 659 100)
Restated Balance on 30 June 2015	-
41.20 Accumulated Surplus	
Balance previously reported	253 201 557
Correction relating to 2014/15 Financial Year - Refer to note 41.21	(3 224 195)
Revaluation reserve incorrectly recognised on Investment Property which is accounted for on the fair value model - Refer to note 41.19	2 659 100
<u>Corrections on 1 July 2014</u>	
Correction of Post Retirement Medical Benefit balance on 30 June 2014 in line with Actuarial Report - Refer to note 41.17	427
Alignment of the cost of Movable Assets in line with supporting asset register on 30 June 2014 - Refer to note 41.07	(228 000)
Alignment of the cost of Intangible Assets in line with supporting asset register on 30 June 2014 - Refer to note 41.09	548 726
Correction of Finance Lease Liabilities on 1 July 2014 - Refer to note 41.16	(1 552 188)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
Alignment of Infrastructure Assets and Land and Buildings to Registers on 1 July 2014 - Refer to note 41.07	(1 598 607)
Correction WIP on 30 June 2014 - Refer to note 41.07	30 042 613
Correction of VAT Output in Suspense incorrectly written off on 30 June 2014 - Refer to note 41.04	(1 706 731)
Correction of VAT control on 30 June 2014 - Refer to note 41.04	(50 150)
Clearing of Cash Suspense account incorrectly recognised - Refer to note 41.01	2 901
Reversal of duplicated accruals on 30 June 2014 - Refer to note 41.21	485 612
Effect on Statement of Financial Performance - Refer to note 41.21	271 735
Effect on Property Plant and Equipment (WIP) - Refer to note 41.07	213 877
Correction of Workmens Compensation Accrual on 30 June 2014 - Refer to note 41.110	1 867 686
Restatement of Rehabilitation Provision on 30 June 2014 in line with current Cost of Construction - Refer to note 41.18	(5 071 676)
Restatement of Accumulated Depreciation on Capitalised Restoration Cost Asset up to 30 June 2014 - Refer to note 41.08	(2 610 811)
Correction of lease adjustments incorrectly passed against landfill site provision during 2013/2014 - Refer to note 41.18	114 345
Correction of Payroll Suspense Account - Refer to note 41.110	(1 156 023)
Reversal of stale check balance originating from prior to 1 July 2013 - Refer to note 41.110	23 235
Correction of Bonuses incorrectly stated on 30 June 2014 - Refer to note 41.12	(43 696)
Correction of Government Rates incorrectly raised in prior years - Refer to note 41.03	14 044 964
Correction of VAT input control on 30 June 2014 - Refer to note 41.04	1 471 659
First Time Recognition of movable assets on 30 June 2014 (Cost) - Refer to note 41.07	219 400
Recognition of Depreciation up to 30 June 2014 on First Time Recognitions - Refer to note 41.07	(132 047)
Remove assets incorrectly recognised up to 30 June 2014 (Cost) - Refer to note 41.07	(669 201)
Remove Depreciation up to 30 June 2014 on assets incorrectly included in Asset Register - Refer to note 41.07	304 577
Remove Intangible Assets from Asset Register incorrectly included up to 30 June 2014 - Refer to note 41.09	(707 719)
Remove Accumulated Amortisation up to 30 June 2014 on Intangible assets incorrectly included in Asset Register - Refer to note 41.09	159 329

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
Restatement of Depreciation on Movable Assets up to 30 June 2014 - Refer to note 41.09	9 683 900
Restatement of Accumulated Amortisation on Intangible Assets up to 30 June 2014 - Refer to note 41.09	(99 522)
Recognise VAT recoveries prior to 30 June 2014 - Refer to note 41.04	851 868
Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2014 - Refer to note 41.02	(2 041 596)
Remove internal rates accounts (Municipal Accounts) from outstanding receivables up to 30 June 2014 - Refer to note 41.03	(28 374)
Interest paid on Eskom account relating to May 2014 and June 2014 accounted for in incorrect period - Refer to note 41.21	(32 339)
Audit Fees and Grants incorrectly accrued for on behalf of NEDA on 30 June 2014 - Refer to note 41.21	521 228
Correction of fair Value of Investment Property on 30 June 2014 - Refer to note 41.06	(4 901 500)
Sub-Total	37 712 288.23
Restated Balance on 30 June 2015	290 348 751

41.21 Statement of Financial Performance

Balance previously reported	10 778 433
Actuarial Gains/Losses and Finance Charges Relating to Employee Benefits incorrectly included as part of Employee Related Costs	-
Effect on Employee Related Costs	(2 517 791)
Effect on Finance Charges	
Effect on Actuarial Gains	2 886 292
Effect on Actuarial Losses	(368 502)
Reallocate receipts of 30 June 2015 to correct line items - Refer to note 41.15	793 072
Effect on Other Income	589
Effect on Licences and Permits	5 311
Effect on Service Charges	787 173
Reallocate interest earned on external investments to separate line item	-
Effect on Interest Earned - external investments	633 178
Effect on Interest Earned - outstanding debtors	(633 178)
Allocate Delegate Expenses in line with classification in supporting ledger	-
Effect on Interest Earned - Employee Related Costs	92 499
Effect on Interest Earned - Other Expenditure	(92 499)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2015 R
41 PRIOR PERIOD ADJUSTMENTS (CONTINUED)	
Correction of movement on Finance Lease Liabilities during 2014/15 - Refer to note 41.16	(1 400 986)
Effect on Employee Related Costs	(155 050)
Effect on Finance Charges	93 908
Effect on Repairs and Maintenance	(2 666 187)
Effect on Other Expenditure	1 326 343
Recognise unrecorded accruals on 30 June 2015 - Refer to note 41.110	(1 123 566)
Effect on Repairs and Maintenance	(34 545)
Effect on Other Expenditure	(1 089 021)
Alignment of movements on Infrastructure Assets and Buildings to Asset Registers during 2014/15 (Depreciation) - Refer to note 41.07	(1 001 199)
Correction of movement on VAT control during 2014/15 - Refer to note 41.04	1 071 749
Effect on Other Income	1 083 126
Effect on Finance Charges	(2 137)
Effect on Other Expenditure	(9 239)
Clearing of Cash Suspense account incorrectly recognised during 2014/2015 - Refer to note 41.01	(6 639)
Effect on Bulk Purchases	(1 539)
Effect on Other Expenditure	(5 101)
Reversal of duplicated accruals on 30 June 2014 - Refer to note 41.20	(271 735)
Effect on Repairs and Maintenance	(127 349)
Effect on Other Expenditure	(144 385)
Incorrect allocation of prior year debt impairment contribution relating to Refuse - Refer to note 41.02	(7 784 949)
Restatement of Unwinding of Interest during 2014/15 on Rehabilitation Provision - Refer to note 41.18	(477 280)
Reallocate assistance in-kind incorrectly allocated to other revenue	-
Effect on Other Income	(3 188 395)
Effect on Assistance in-kind	3 188 395
Increase in in-kind assistance due to restatement of rehabilitation of landfill site provision - Refer to note 41.18	477 367
Restatement of the depreciation charge recognised on the Capitalised Cost of rehabilitation during 2014/2015 - Refer to note 41.08	(88 676)
Restatement of the impairment charge recognised on the Capitalised Cost of rehabilitation during 2014/2015 - Refer to note 41.08	3 043 434

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

2015
R

Rental of Municipal Houses incorrectly allocated to Sundry Income	-
Effect on Other Income	(47 157)
Effect on Rental of Facilities and Equipment	47 157
Revenue relating to Services in-kind (Soil Erosion Project) incorrectly recognised against receivable account - Refer to note 41.03	9 353 347
Incorrect allocation of indigent subsidies relating to Refuse Removal. The municipality delivers the service and the support should be recognised as a revenue foregone/rebate against revenue raised.	-
Effect on Service Charges	(2 690 791)
Effect on Transfers and Grants	2 690 791
Electricity connection fees incorrectly included as part of service charges	-
Effect on Service Charges	(41 621)
Effect on Other Income	41 621
Correction of Payroll Suspense Account - Refer to note 41.110	(482 692)
Effect on Rental of Facilities and Equipment	1 321
Effect on Other Income	10 839
Effect on Employee Related Costs	(11 908)
Effect on Other Expenditure	(482 944)
Continuation members' share of medical payments, instead of council's contribution to medical allocated to post retirement health care benefit obligation.	-
Effect on Actuarial Gains	(231 318)
Effect on Employee Related costs	(110 823)
Effect on Remuneration of Councillors	409 303
Effect on Other Revenue	(67 163)
Medical Aid Contributions incorrectly allocated to Revenue vote	-
Effect on Employee Related costs	(74 849)
Effect on Other Income	74 849
Travel and Subsistence Expenditure incorrectly included as part of Remuneration of Councillors	-
Effect on Remuneration of Councillors	105 365
Effect on Other Expenditure	(105 365)
Interest on late payments incorrectly capitalised - Refer to note 41.07	(80 924)
Correction of Debt impairment in line with recovery rate of receivables (Rates) - Refer to note 41.03	(12 414 654)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Correction of Debt impairment in line with recovery rate of receivables (Exchange Receivables) - Refer to note 41.02	(7 199 087)
Correction of Government Rates incorrectly raised in prior years - Refer to note 41.03	7 941 826
Petty Cash Expenditure incorrectly not recognised in 2014/2015 - Refer to note 41.01	(5 559)
Correction of inventory movements (General Store) not accounted for during 2014/15 - Refer to note 41.05	(27 281)
Correction of inventory movements (Electrical Store) not accounted for during 2014/15 - Refer to note 41.05	(285 290)
Software Licences incorrectly capitalised as Intangible Assets - Refer to note 41.09	(452 012)
Operating Expenditure incorrectly capitalised during 2014/15 - Refer to note 41.07	(8 041)
Recognition of Depreciation during 2014/15 on First Time Recognitions - Refer to note 41.07	(22 008)
Remove Amortisation during 2014/15 on Intangible assets incorrectly included in Asset Register - Refer to note 41.09	(13 233)
Remove Depreciation during 2014/15 on assets incorrectly included in Asset Register - Refer to note 41.07	120 642
Restatement of Depreciation on Movable Assets during 2014/15 - Refer to note 41.07	3 643 006
Restatement of Accumulated Amortisation on Intangible Assets during 2014/15 - Refer to note 41.09	107 373
Restatement of Depreciation on Movable Assets disposals during 2014/15 - Refer to note 41.07	37 539
Restatement of Depreciation on Movable Assets disposals during 2014/15 - Refer to note 41.07	(114 415)
Restatement of Amortisation on Intangible Assets disposals during 2014/15 - Refer to note 41.09	144 940
Recognise asset disposals previously not recognised during 2014/15 - Refer to note 41.07	(79 994)
Remove internal rates accounts (Municipal Accounts) from outstanding receivables up to 30 June 2015 - Refer to note 41.03	(146 171)
Effect on Property Rates	(141 553)
Effect on Interest Earned - Penalty Interest on Property Rates	(4 617)
Remove internal receivable accounts (Municipal Accounts) from outstanding receivables up to 30 June 2015 - Refer to note 41.02	(1 312 646)
Effect on Service Charges	(1 148 544)
Effect on Interest Earned - Consumer Debtors	(158 102)
Effect on Interest Earned - Other Revenue	(6 000)

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

41

PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Correction of bulk purchases over provided for on 30 June 2015 - Refer to note 41.110	2 679 924
Interest paid on Eskom account relating to May 2014 and June 2014 accounted for in incorrect period - Refer to note 41.20	32 339
Finance Charges on Eskom Bulk Account relating to July 2015 accounted for in incorrect period	-
Effect on Bulk Purchases	(98 229)
Effect on Finance Charges	98 229
Correction of VAT Treatment on interest payable to Eskom - Refer to note 41.04	(120 324)
Effect on Bulk Purchases	(114 191)
Effect on Transfers and Grants	(6 133)
Finance Charges on Eskom Free Basic Services Account relating to 2014/2015 incorrectly accounted for	-
Effect on Transfers and Grants	52 358
Effect on Finance Charges	(52 358)
Accrual not raised on 30 June 2015 relating to the Eskom Free Basic Services Account - Refer to note 41.110	(298 804)
Audit Fees incorrectly accrued for on behalf of NEDA - Refer to note 41.110	1 868 918
Audit Fees and Grants incorrectly accrued for on behalf of NEDA on 30 June 2014 - Refer to note 41.20	(521 228)
Effect on Transfers and Grants	(350 000)
Effect on Other Expenditure	(171 228)
SARS Penalties incorrectly allocated to interest paid	-
Effect on Other Expenditure	(33 724)
Effect on Finance Charges	33 724
Payment towards Job Creation Projects not related to NEDA incorrectly included in NEDA transfer account	-
Effect on Other Expenditure	(250 000)
Effect on Transfers and Grants	250 000
Restatement of Fair Value Adjustments during 2014/2015 - Refer to note 41.06	4 901 500
Recognise Properties incorrectly not disposed during 2014/2015 - Refer to note 41.07	(3 701 777)
Restated Balance on 30 June 2015	7 554 238

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

42

NET CASH FROM OPERATING ACTIVITIES

	2016 R	2015 R
Net Surplus/(Deficit) for the year	28 672 584	7 554 239
Adjusted for:		
Non-Cash Expenditure	78 165 258	83 549 427
Debt Impairment	44 788 009	38 192 855
Depreciation and Amortisation	22 053 370	22 301 768
Impairments	-	6 600 078
Actuarial losses	1 313 852	368 502
Finance Charges	3 441 468	2 919 945
Repairs and Maintenance (In-Kind)	-	9 353 347
Loss on disposal of PPE	6 568 559	3 812 933
Non-Cash Revenue	(7 682 360)	(15 674 083)
Actuarial Gains	(458 486)	(2 654 975)
Assistance in-kind	(7 219 726)	(13 019 108)
Gain on disposal of PPE	(4 147)	-
Fair Value Adjustments	(580 300)	(4 307 500)
Contributions - Provisions and Employee Benefits	7 681 146	7 408 882
Post Retirement Medical Benefits	1 436 442	1 306 328
Long Service Awards	633 681	536 889
Bonuses	4 489 816	3 996 530
Staff Leave	1 121 207	1 569 136
Expenditure - Provisions and Employee Benefits	(5 960 472)	(5 755 447)
Post Retirement Medical Benefits	(435 208)	(409 303)
Long Service Awards	(433 613)	(130 008)
Bonuses	(4 471 898)	(4 216 758)
Staff Leave	(619 752)	(887 581)
Rehabilitation Provision - Landfill Sites	-	(111 797)
Other adjustments	(22 478 659)	(4 071 000)
Bad Debts Written Off	(20 155 659)	-
Grants Returned to National Revenue Fund	(2 323 000)	(4 071 000)
Operating Surplus before changes in working capital	78 397 498	73 012 019
Movement in working capital	(35 150 234)	(35 278 989)
Receivables from exchange and non-exchange transactions	(36 763 750)	(54 828 635)
Inventory	115 334	182 098
Payables from exchange transactions	2 788 057	15 349 311
Unspent Conditional Government Grants	(613 124)	6 174 908
VAT Receivable	(676 750)	(2 156 672)
Cash Flow from Operating Activities	43 247 265	37 733 030

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
43 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Bank Accounts	3 480 710	3 036 661
Call Deposits	-	9 376
Total	3 480 710	3 046 037

Refer to note 2 for more details relating to cash and cash equivalents.

44 BUDGET COMPARISONS

44.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Actuarial Gains, Assistance in-kind and Other Income.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

44

BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

44.2 MATERIAL VARIANCES

Budget Adjustments

The Section 72 report was submitted to Council with recommendation relating to any proposed adjustments, taking into account the actual results for the half year under review and prior year actual figures. These proposed adjustments were approved by Council.

Actual Variances

Variances can mainly be attributed to large number of prior year errors. Prior year actual results were used as basis for current year budget.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
45.1 UNAUTHORISED EXPENDITURE		
Unauthorised expenditure consist out of the following:		
Opening balance	80 217 973	40 309 231
Unauthorised expenditure current year	48 407 305	35 917 952
Grant Funding Utilised for Operating purposes - Refer to note 2	619 993	3 990 790
Approved by Council	-	-
Unauthorised expenditure awaiting approval	129 245 271	80 217 973

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

	2016 (Actual) R	2016 (Final Budget) R	2016 (Unauthorised) R
Unauthorised expenditure - Operating			
Municipal Council	30 044 766	18 291 809	11 752 957
Accounting Officer	17 811 046	21 931 767	-
Budget and Treasury Office	92 398 132	64 905 799	27 492 333
Corporate Services	46 536 821	53 846 699	-
Technical Services	101 404 122	95 607 664	5 796 458
Total	288 194 888	254 583 738	45 041 748
Unauthorised expenditure - Capital			
Municipal Council	328 031	-	328 031
Accounting Officer	-	20 000	-
Budget and Treasury Office	83 867	130 000	-
Corporate Services	7 537 526	4 500 000	3 037 526
Technical Services	29 498 393	51 373 970	-
Total	37 447 817	56 023 970	3 365 557

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		

45.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	2 446 446	1 339 894
Fruitless and wasteful expenditure incurred	1 194 097	1 106 552
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting approval	3 640 543	2 446 446

Details of Fruitless and wasteful expenditure incurred :

SARS Penalties	293 956	629 436
Interest on late payments	900 140	1 309 412
Eskom (Bulk Account)	492 265	929 843
Eskom (Free Basic Services Account)	66 140	52 358
Audit fees	299 528	234 804
SARS	14 696	11 483
Base Major Construction	27 455	80 924
Bank Temporary Overdraft	56	-
Total	1 194 097	1 938 848

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

45.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	30 720 337	16 602 581
Irregular expenditure incurred	14 470 759	14 117 756
Approved by Council	-	-
Irregular expenditure awaiting approval	45 191 096	30 720 337

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
Details of Irregular expenditure incurred :		
Vaxobyte PTY LTD - The tender awarding committee did not form a quorum when this tender was awarded. The tender was subsequently terminated by council.	-	300 000
Nkonjane Cleaning & Catering Co-operative - The tender awarding committee did not form a quorum when this tender was awarded. The tender was subsequently terminated by council.	-	624 167
Laman Financial Services - The contract was awarded to the service provider based on application of Sec. 32 of the SCM policies. The awarding was regarded as irregular where the tender was awarded initially, the Auditor-General declared the awarding at Nkonkobe as irregular as well.	12 797 355	13 193 589
BK Banzi - Fictitious Quotations (3 quotations came from one Service Provider)	57 000	-
Eyethu - Fictitious Quotations (3 quotations came from one Service Provider)	25 000	-
Mc Kenzo Trading - Contract for supply of material considered irregular due to lack of planning	1 591 405	-
Total	14 470 759	14 117 756

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

45.4 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	34 324 898	36 954 221
- Units distributed (Kwh)	23 656 333	27 246 062
- Units lost during distribution (Kwh)	10 668 565	9 708 159
- Units lost considered within norm (10%)	3 432 490	3 695 422
- Units lost in excess of norm	7 236 075	6 012 737
- Percentage lost during distribution	21.08%	16.27%
- Rand Value of Loss	3 727 120	3 966 332

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
46.1 Salga Contributions [MFMA 125 (1)(b)]		
Expenditure incurred	2 426 911	947 131
Payments	(1 046 758)	(947 131)
Outstanding Balance	1 380 153	-
46.2 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	3 091 838	1 065 224
Expenditure incurred	4 682 644	4 675 289
Payments	(2 153 470)	(2 648 675)
Outstanding Balance	5 621 012	3 091 838
46.3 VAT [MFMA 125 (1)(c)]		
Opening balance	979 357	388 344
Amounts received during the year	(8 707 088)	(4 519 931)
Amounts claimed - current year	11 861 102	5 540 574
Amounts payable - current year	-	(429 629)
Outstanding Balance	4 133 371	979 357
Vat in suspense due to cash basis of accounting	(354 184)	2 123 080
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
46.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening Balance	1 127 559	-
Payments due to SARS	15 181 927	14 532 484
Payments	(16 309 486)	(13 404 925)
Outstanding Balance	-	1 127 559

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
46		
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
46.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening Balance	1 276 764	-
Payments due to pension fund and medical aid	-	16 484 406
Payments	-	(15 207 642)
Outstanding Balance	1 276 764	1 276 764

46.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillors had arrear account outstanding for more than 90 days at year end:

	30 June 2016	30 June 2015
Councillor S P Matyila	-	172
Councillor M E Mgengo	-	353
Councillor C N Nono	-	972
Councillor N V Gora	1 458	2 678
Councillor P Sixolo	-	138
Councillor N S Blackie	5 052	-
Councillor A A Booysen	-	1 804
Councillor E Bantam	9 042	1 124
Councillor T P Dwanya	305	305
Outstanding Balance	15 857	3 371

46.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

Municipal Council

Times Media	-	6 618
K2013229678 - National Heritage rugby tournament	21 000	-
Fort Hare Solutions	60 229	-

Accounting Officer

Times Media	26 242	16 667
Sim and San Tent Hire Services	11 400	-
Department of Health	5 839	-
Mlumbi General Trading Services	3 000	-
Zelikhanye Trading services	69 400	-

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
46.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM (CONTINUED)		
<u>Budget and Treasury Office</u>		
Times Media	69 350	33 645
Grizzly Engineering	-	24 943
Aurecon	-	1 107 425
Central locksmith	-	5 424
Conlog	13 939	13 939
Kempston Fuels	17 040	141 480
Aloe Travel	22 682	-
Lexis Nexis	121 873	-
Lithotech Sale East London	8 849	-
Sangweni Lodge	7 125	-
ADO Research Labs	10 904	-
CQS	106 015	-
Tara's Terrace	9 720	-
<u>Corporate Services</u>		
Fort Hare Community Radio	-	4 500
G&B Motors	27 368	15 507
Times Media	114 358	102 958
Datnis Nissan	30 956	34 048
Tractor World	19 192	2 105
Barloworld	89 988	142 728
TFM Manufacturing	33 769	4 066
Province of the eastern cape	-	19 123
Autohas BMW	17 743	14 050
Coetzer Fire Services	-	2 850
Babcock Equipment	192 767	22 791
P.G.GLASS	-	1 308
Ferobrake	28 565	17 136
Buffalo Toyota E/L	43 470	6 830
The Motorbike Trust	-	6 067
Eastern Cape Tyres	220 786	-
Star motors	26 352	-
Automall Nissan	305 000	-
Fleet Dynamics	17 820	-
Hotel King David	159 585	-
Payday	5 723	-
Silverton Radiator	2 950	-
Toyota	259 500	-
Pumeza Bono Incorporated	124 568	-
H.V Test Pty LTD	12 369	-
State Security Agency	12 000	-

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
46.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM (CONTINUED)		
Copy World	16 383	-
East London Truck & Bus	28 302	-
Meyers motors	21 834	-
Peugair Border cc	92 455	-
L.V & M.V Maintenance cc	6 281	-
Lionel Trichardt	34 226	-
Construction Equipment Supplies	10 639	-
Truvelo Manufactures	131 670	-
Lexis Nexis	14 125	-
Intelligence Transfer Centre	12 539	-
Ronnies Motors	24 179	-
MVE - Motor Vehicle Electric CC	4 337	-
The Motor land Group	2 507	-
Goergious Spar	6 098	-
FSJ Enterprises	5 252	-
<u>Technical Services</u>		
Candi-Lite Cables cc	-	44 237
Beak Shredder	-	39 078
North & Robertson's E.L	-	17 416
Huntshu	-	1 749 835
Zezethu Consulting Engineers	-	813 276
HV Test Pty Ltd	12 369	-
Colas South Africa	56 897	-
M. C Kenzo Trading cc	1 591 405	-
Mpekweni Beach Resort	3 255	-
Nema Distributors cc	6 000	-
Nomzamo Cleaning Services	78 310	-
Ntsine Construction and civils	55 250	-
The Motor land Group	187 495	-
Times Media	93 800	-
Trolec Winding Services cc	7 125	-
Anderson Electrical	7 200	-
Actom	64 417	-
Lafarge South Africa	27 489	-
IMESA	6 250	-
B.K Banzi	48 000	-
Brainwave Projects 1722cc	7 013	-
Grizzly Engineering	106 590	-
Blue Lagoon	2 380	-
Total	5 101 507	4 410 050

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

46

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

46.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

46.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the year under review, the municipality engaged with the following employees in service of the state (SCM 44):

As at 30 June 2016

<u>Name (State institution)</u>	<u>Supplier name</u>	
M E Ramodike (Mpumalanga Economic Growth Agency)	Maipi Trading 49 CC	2 568
M Limetyeni (EC: Education)	The Business Zone 1056 CC	9 480
MZ Xakaxa (EC: Education)	Sandy Sim	22 300
V Bizana (EC: Education)	Likacazi Trading	29 000
T Hoyana (EC: Education)	Hoba Trading PTY LTD	27 600
JC Nomasumpa (South African Post Office Limited)	JCN Services & Supplier	4 250
LD Simosezwe Simp (South African Post Office Limited)	Cashbuild (South Africa) PTY LTD	65 639
KE Moloto-Stofile (Road Accident Fund)	ARB Electrical Wholesalers PTY LTD	245 211
PA Hobongwana (Dept. Water Affairs)	Gemprint	30 817
Total		436 864

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

46

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

As at 30 June 2016

<u>Name</u>	<u>State institution (Nature of Relationship)</u>	
NC. Melitafa	Rely IT Solution (Husband)	28 640
N. Ndunyana	Mizana Ndunyana Trading (PTY) LTD (Sister)	50 490
N. Tom	SJRNGT Trading (Mother)	5 707
N. Tom	Sisenza (PTY) LTD (Aunt)	23 200
N. Tom	Siduli & Jama (Aunt)	166 710
Total		274 747

47

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	1 960 284	34 222 274
Infrastructure	-	7 040 200
Community	-	2 499 771
Other	1 960 284	24 682 303
Total	1 960 284	34 222 274
This expenditure will be financed from:		
Own Revenue	1 960 284	24 697 810
Government Grants	-	9 524 464
Total	1 960 284	34 222 274

The decrease in Commitments can mainly be attributed to the merger taking place subsequent to year-end

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

48

FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

48.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	2016 R	2015 R
Cash and Cash Equivalents	3 480 710	3 046 037
Receivables from exchange transactions	9 973 956	5 534 924
Total	13 454 666	8 580 962

Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

48

FINANCIAL RISK MANAGEMENT (CONTINUED)

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

48.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

The financial instruments of the municipality is not directly exposed to any currency risk.

48.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	2016 R	2015 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	3 480 710	3 046 037
Long-term Liabilities (Including Current Portion)	(8 649 040)	(16 362 835)
Non-Current Provisions (Including Current Portion)	(19 930 483)	(23 448 155)
Net balance exposed	(25 098 812)	(36 764 953)

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

1% (2015 - 1%) increase in interest rates	(250 988)	(367 650)
0% (2015 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2016	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	8 260 858	1 092 488	-
Payables from exchange transactions	42 493 730	-	-
Total	50 754 588	1 092 488	-
30 JUNE 2015	PAYABLE		
	Within 1 Year	Two to five years	After five years
Finance Lease Liabilities	10 058 132	8 297 495	-
Payables from exchange transactions	42 728 071	-	-
Total	52 786 203	8 297 495	-

48.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NKONKOBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

48

FINANCIAL RISK MANAGEMENT (CONTINUED)

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

Financial Assets

	2016 R	2015 R
Cash and Cash Equivalents	3 480 710	3 046 037
Receivables from exchange transactions	9 973 956	5 534 924
Total	13 454 666	8 580 962

Financial Liabilities

Current Portion of Long-term Liabilities	7 654 997	8 541 188
Payables from exchange transactions	42 493 730	42 728 071
Long-term Liabilities	994 043	7 821 647
Total	51 142 770	59 090 906

49

STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from Non-Exchange Transactions

Rates	143 446 135	99 335 060
Government Grants	151 995	1 104 981
Taxes	3 779 187	3 102 437
Total	147 377 317	103 542 479

Refer to note 4 for more detail relating to the Government Grants and Rates Receivables, including any provision for impairment raised against the gross amounts as disclosed above

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

50 EVENTS AFTER REPORTING DATE

Amalgamation - Nkonkobe - and Nxuba Local Municipality

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality on 3 August 2016, being the date of the Local Government Elections.

Operations in the Raymond Mhlaba Local Municipality commenced on 4 August 2016 and the new Council was sworn in on 18 August 2016. The following significant positions were elected during the inaugural Council Meeting:

Mayor	Councillor Bandile Khethelo
Speaker	Councillor Thozama Njobe
Chief Whip	Councillor Anele Ntsangani

The amalgamation does not affect the going concern status, nor the presentation of the Annual Financial Statements on the going concern basis on 30 June 2016.

51 IN-KIND DONATIONS AND ASSISTANCE

Refer to note 26 for detail relating to Assistance In-kind received by the municipality during the period under review.

52 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

53 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

Claim 1

H Skosana (Prince Queen Marry Trading Enterprise) vs Nkonkobe Municipality -The plaintiff instituted legal action against the municipality for money in the sum of R 118 222, which is allegedly due to it in terms of a contract with the municipality. The municipality is appealing the court's judgement against the municipality.

2016	2015
R	R

200 000

-

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

53

CONTINGENT LIABILITIES (CONTINUED)

Claim 2

D le Roux (Vaxobyte (Pty) Ltd vs Nkonkobe Municipality - The plaintiff instituted legal action against the municipality for payment of R 1 586 000 as damages suffered as a result of the Municipality's alleged unlawful termination of its contract.

2016
R

2015
R

2 436 000

-

Claim 3

Nomalady vs Nkonkobe Municipality - The plaintiff instituted legal action against the municipality on the basis that she was dismissed unfairly. The matter is set down for hearing on 2 November 2016.

60 000

-

Claim 4

Litigation in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries sustained in a bridge at Fort Beaufort.

-

500 000

Claim 5

Amathole Forestry CO (PTY) vs Amathole Municipality and Nkonkobe Municipality. Application to compel Nkonkobe to build fire services in certain areas within.

-

300 000

Claim 6

Bergman vs Nkonkobe Municipality. Civil damages claim arising from electricity.

-

600 000

Claim 7

Mlandu vs Nkonkobe. Civil claim arising out of damage to rave

-

15 000

Claim 8

N Luthweyi vs Nkonkobe: Labour Review matter

-

80 000

Total

2 698 016

1 497 015

NKONKOBÉ LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

54 RELATED PARTIES

Related parties are defined in note 1.34

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 30 and 31

The municipality owns a 100% stake in the Nkonkobe Economic Development Agency. The Municipality provides a grant to the agency to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.

Refer to note 39 for grants paid during the period under review

55 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The municipality is experiencing low very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

The municipality experienced material losses in electricity usage to the value of R 3 727 120 (2015 - R 3 966 332). This represents a loss of 21.08% (2015 - 16.27%).

Operating Indicators	2016 R	2015 R
Grant funding were utilised for operating purposes	619 993	3 990 790

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 45 above.

There are material Contingent Liabilities on each respective reporting period. Refer to note 53 above.

NKONKOBÉ LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2016

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2015	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE 30 JUNE 2016
			R	R	R	R
<u>FINANCE LEASE LIABILITIES</u>						
Laman Financial Services - Grader 140K	11.48%	31-Jan-17	1 795 376	-	(1 095 865)	699 511
Laman Financial Services - Backhoe Loader 428 F	11.48%	31-Jan-17	814 743	-	(497 304)	317 439
Laman Financial Services - Dozer D6R	11.48%	31-Jan-17	3 525 711	-	(2 152 029)	1 373 681
Laman Financial Services - Excavator 320D	11.48%	31-Jan-17	1 130 348	-	(689 944)	440 404
Laman Financial Services - Tipper Truck CLA 26 280	11.48%	30-Jul-17	1 116 065	-	(502 653)	613 411
Laman Financial Services - Water Tanker 18000L	11.48%	30-Jul-17	1 542 668	-	(694 787)	847 881
Laman Financial Services - Tow tractor	11.48%	30-Jul-17	1 557 575	-	(701 501)	856 074
Laman Financial Services - Tectron Grid Roller	11.48%	30-Jul-17	1 007 835	-	(453 909)	553 926
Laman Financial Services - Refuse Truck 19 m 3 Isuzu	11.48%	30-Jul-17	2 296 119	-	(1 034 127)	1 261 993
Aloe XEROX - Various Copier Machines	17.72%	14-Jun-17	1 576 397	-	(926 314)	650 083
Aloe XEROX - Various Copier Machines	17.72%	30-Jun-18	-	456 806	(126 406)	330 400
Aloe XEROX - Various Copier Machines	17.72%	23-Mar-19	-	771 250	(67 012)	704 238
Total Finance Lease Liabilities			16 362 836	1 228 056	(8 941 852)	8 649 040
Total Long-Term Liabilities			16 362 836	1 228 056	(8 941 852)	8 649 040

NKONKOBÉ LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2016

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	TRANSFERRED (FROM)/TO RECEIVABLES	RETURNED TO NT	CLOSING BALANCE
	R	R	R	R	R	R	R
NATIONAL GOVERNMENT							
Equitable Share	-	130 357 000	(130 357 000)	-	-	-	-
Municipal Finance Management Grant	-	1 800 000	(1 800 000)	-	-	-	-
Municipal Infrastructure Grant	6 175 270	33 426 000	(3 341 313)	(31 020 666)	-	(2 323 000)	2 916 291
Municipal Systems Improvement Grant	-	930 000	(930 000)	-	-	-	-
Expanded Public Works Program	-	1 041 000	(1 041 000)	-	-	-	-
Energy Efficiency and Demand Side Management Grant	-	10 000 000	(9 047 014)	-	(952 987)	-	-
LG-SETA	-	212 599	(212 599)	-	-	-	-
Total National Government Grants	6 175 270	177 766 599	(146 728 926)	(31 020 666)	(952 987)	(2 323 000)	2 916 291
PROVINCIAL GOVERNMENT							
Library Grant	-	801 000	(801 000)	-	-	-	-
ECDLGTA - Greening and Beautification	714 164	-	-	-	-	-	714 164
LSDF - Middeldrift Spatial Development Framework	147 392	-	-	-	-	-	147 392
Quarry Mining Grant	-	500 000	(177 145)	-	-	-	322 855
Total Provincial Government Grants	861 557	1 301 000	(978 145)	-	-	-	1 184 412
ALL SPHERES GOVERNMENT	7 036 827	179 067 599	(147 707 070)	(31 020 666)	(952 987)	(2 323 000)	4 100 703